

Altiero Spinelli Lecture

Organized by the Centro Studi sul Federalismo

Europe's shortcomings

Address by the Minister of the Economy and Finance

Tommaso Padoa-Schioppa

Turin, Università degli Studi, 17 January 2007

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I. Introduction

It is a great honour for me to speak about Europe at this Study Centre, a forum that is dedicated passionately and competently to research and debate about federalism, both at the supranational level and within nations. And it is an additional honour that this lecture bears the name of Altiero Spinelli and is being delivered in the centenary year of his birth.

All those who love Europe and have made European political union the lodestar of their life as a citizen owe Altiero Spinelli an immense debt, augmented in my case by ties of affection. At this point in the construction of Europe, that debt is all the greater, because it has become legitimate to question the issue that formed the cornerstone of his thought and political actions, namely the need to make a *constitutional and institutional* transition to European federalism.

When a speaker invokes the grand vision of institutional change, of which Altiero Spinelli was the leading proponent, he usually contrasts it with the ‘functionalist’ approach of another of the eminent architects of the European project, Jean Monnet, who is commonly portrayed as an advocate of pragmatic small steps, of advancing without explicitly stating the ultimate goal.

It is a contrast that does not correspond to the truth, in terms of either political thought or concrete action. Jean Monnet was convinced that specific projects would ultimately lead to such a level of interdependence that the transition to the *United States of Europe* would become inevitable; that objective was not explicitly stated every time, but it was embodied in

the very name of his Action Committee. Spinelli's grand vision, and his constant references to the ideal of constitutional federalism, were never divorced from wise pragmatism, a pragmatism that for instance led him to exhort the European Parliament to accept the Single European Act, even though it was so different from his ideal project.

Today Europe has greater need than ever of the extraordinary combination of grand vision and realism, of which Spinelli provided us with an exceptional example.

In this lecture I would like to explore the causes of the difficulties now facing European society and its citizens, and the direction that should be taken to overcome them. I shall argue that Europe's difficulties – which are now so often cited as obstacles to decisive steps towards completing the union of Europe – stem essentially from the absence of a European dimension, from the union that does *not* exist, not from the Union that does exist and which we see operating in such a disappointing way; they stem from an inadequate ability to take decisions and to put the Union's decisions into effect, an inadequacy that deters further initiatives, necessary though they be. From this derives the widespread unease and hesitancy of Europeans in confronting the challenges of our time, their dissatisfaction with the results of Community action, and their growing distrust of the union project.

The reading of the facts that I shall propose therefore turns current perceived wisdom on its head. We constantly hear it said that Europe is the cause of the many ills afflicting our society and that this is *the* reason to abandon the design for a politically united Europe, indeed to stop it in its tracks. I maintain, on the contrary, that the challenges of today do not originate from the construction of the European edifice, that they are independent of it; they have to be confronted in any case, and they would become truly insurmountable if we were to tackle them without a union, or with a union that was inadequate.

The cause of the profound sense of impotence and alienation in the face of current world developments lies not in the *shortcomings* of the European Union, but in the *absence* of a European dimension. The confusion between Europe's *shortcomings* – the errors, omissions and contradictions – and the *absence* of a European dimension is at the root of a spiral of growing disillusionment and progressive disengagement that constitutes the mortal danger facing all of European society today.

II. Shortcomings of Europe and absence of a European dimension

The time when the validity of the project of a united Europe was almost taken for granted – a time which I and, I imagine, some of you remember clearly – has now passed. It

was long thought superfluous to argue the reasons for the project in order to persuade doubters and convince the new generations.

I do not recall that period in order to lament its passing: that was precisely the time when the seeds were sown for disaffection and an inadequate ability to lead, to which I shall refer later. I recall it to draw a contrast with the prevailing mood of today. The burden of proof about the worth of the European project has now been reversed. Newspapers and television programmes, both in Italy and abroad, are full of scepticism and hollow rhetoric; a negative vision prevails. The 'crisis of Europe' is proclaimed so persistently that the expression has become hackneyed and at the same time is claimed to be an absolute truth. The results of the referenda in France and the Netherlands also stem from this new conformism.

The anti-Europeanism that now dominates the airwaves (the picture is very different for those who do not disdain to read books and articles) insistently disseminates trite phrases and clichés about Europe's shortcomings, which are presented, in turn, as conclusive proof of the fallacy and futility of the union project. In its superficiality, the torrent of news does not pause to distinguish between true and imaginary shortcomings. Distinctions must be made, however; they are the precondition for any serious appraisal.

Let us begin with the myths, the *imaginary shortcomings* churned out on an almost daily basis, a sort of *basso continuo* incessantly running beneath the real European story. They can be put into three categories, which we can label respectively disasters, misdeeds and excesses.

The *disasters*, which are always sometime in the future, are regularly proclaimed to be the consequence of some European project, such as the changeover to the euro, or the enlargement of the Union, or a trans-European merger of banking or energy companies. The more clamorous the prediction, the more muted the retraction that becomes necessary when the facts prove that the disaster did not happen.

The *misdeeds* category, by contrast, covers cases in which Europe is blamed for the ills afflicting our society; the European Union as scapegoat. If we are threatened by terrorism and crime, it is the fault of Schengen, the very agreement that led many countries, including our own, to strengthen the effectiveness and efficiency of border checks. If employment and growth languish, it is the fault of the Brussels rules, the very rules that for more than thirty years have fostered much faster growth in Europe than in the United States. If local linguistic or culinary traditions are disappearing, it is the fault of Europe, rather than

the result of the standardization of tastes and manner of expression, which is propagated by globalization and certainly not encouraged by Brussels.

Finally there are the *excesses*, the third category of Europe's shortcomings, dreamt up in complete disregard of the facts. The European bureaucracy is said to be bloated and invasive, disregarding the fact that the Region of Lombardy or the City of Paris have more staff than the European Commission. Critics wring their hands about the Brussels technocracy and its 'democratic deficit', ignoring the constant calls for greater technical expertise on the part of national and local administrators, and omitting to mention that the procedure for appointing the European executive fully accords with that for forming the government in parliamentary democracies. A case of double standards.

It is not just a question of myths, however. Europe does have *real shortcomings*, and they are serious: omissions, errors and contradictions in a project that is still incomplete and appears to have lost momentum.

The real shortcomings also come in different types. The first is that of *genuine excesses* of European action. These emerge from the copious anecdotal evidence of legislation to regulate insignificant details that certainly do not warrant the complex legislative machine of Brussels, but also from rigorous analyses of the correct application of the principle of subsidiarity. If opinion polls register a fall in support for the European project, it is partly because of these excesses.

It should be noted, however, that today the principle of subsidiarity is invoked almost exclusively to limit the powers of the Union, whereas a correct application should be symmetrical, in other words it should broaden the Union's jurisdiction as well as narrowing it. In addition, subsidiarity should relate to all levels of government and be applied both to devolve central government powers to regional or municipal governments in certain fields (such as town planning) and, where appropriate, to transfer powers to the Union, as has already happened in a few cases.

The *failure to perform the tasks that have been assigned* is a second type of real shortcoming. The examples are before our very eyes, ranging from the fact that the Single Market has still not been achieved, to the reform of agricultural policy that has never been carried out, from disputes about the use of Community resources out of all proportion to the small amounts involved, to arguments about the correct application of the Stability Pact.

The ineffectiveness of Community power, combined with the inertia of national administrations, *disappoints citizens' expectations*, even on the most trivial matters. This

dissatisfaction (which sometimes finds expression in unexpected scorn, sometimes in recurrent frustration) is a third type of Europe's shortcomings of which ordinary people have direct daily experience – for example, when they suffer the complications resulting from the inadequate integration of retail financial services, or have exasperating difficulties transferring their own motor car when they move their place of residence to another European country.

Before moving on to analyse what I consider to be the profound causes of Europe's shortcomings, I would like to point out that it is necessary to distinguish between truth and myth even with regard to the results of the referenda in France and the Netherlands, given the high political value attributed to them. What did they say 'no' to? To the 10 per cent of new material compared with the previous Treaties, or to the entire European edifice as it has been constructed since the fifties? 'No' to the inadequate sharing of sovereignty proposed in a Constitution in which the power of veto of the Member States remains virtually intact, or 'no' to the power of the Community institutions that is already regarded as excessive? And why is it never mentioned that the European countries and citizens who said 'yes' far outnumber those who said 'no'?

But beware: refuting unjustified criticism does not mean downplaying the difficulties Europe is going through. Europe's imaginary shortcomings have to be addressed in order to understand that they have no substance, and its real ones in order to understand the reasons for them and to correct them.

As I said, I intend to propose a different reading of the difficulties facing Europe. It turns on its head the common belief that, although Europe itself may not actually be the cause of the many ills we are suffering, it is at least the place where they are most evident, so that we should not and cannot want more Europe, just as the addict should not take further doses of the substance poisoning him.

I maintain that an unbiased assessment can lead only to one conclusion: that the many difficulties of our societies are not caused by Europe – it is the *lack* of Europe that makes them more acute and insurmountable. The cause is not the Union (with a capital U) but the lack of union (with a small u). Europe is the seat of the malady, the union of Europe is its remedy.

This is the thesis I wish to propose. I shall now seek to illustrate it by reference to three issues – globalization, energy and finance – which should be viewed as examples. The same case could be argued, though less forcefully, by looking at other worrying issues, from security to immigration, from the welfare state to foreign policy.

III. Globalization

Globalization is now the great historic transformation against which to judge the developments and prospects of our economy and society, a process which we still do not fully understand and are unable to control. The profound and very rapid changes we are seeing in the international division of labour and in the composition of worldwide flows of goods and capital are being driven by two powerful factors: the ease with which information can be transmitted and the emergence of new economic powers, competitors that are almost unbeatable in terms of cost, product quality and the services they offer.

Only in the imaginings of an eccentric mind can Europe be blamed for the globalization that is shaking the economies of the industrialized countries and threatening to erode European standards of living. No country can evade this jerk, whatever its specialization or the specific strengths and weaknesses of its economy.

For the most part, the European countries have responded individually to the challenge, with perceptible differences in strategy. They have *all* relied on the *individual* promotion of national products and investments abroad, thus strengthening the bargaining power of third countries at the expense of their European counterparts; by their own actions, the Europeans have condemned themselves to suffer ‘divide and rule’, and continue to do so. *Many* of the European countries have mustered their troops to defend production niches that are not yet threatened, paralysed by the suspicion that they have already lost the battle. Moreover, in every European country a section of the political class, irrespective of its ideological stripe, has sought consensus by proposing protectionist measures, heedless of the fact that responsibility for foreign trade negotiations, at least, rests with the Union.

The European Union is seldom and reluctantly viewed as a unified political and economic actor, in truth the only actor able to meet the challenge of globalization. The single currency is even cited as a cause of the decline in competitiveness, forgetting both the differences in commercial performance among the countries that have adopted it and how much ruin had been wrought by the competitive devaluations to which many countries, not least Italy, had resorted before the advent of the euro.

Only joint European action could give a genuine boost to the international competitiveness of the old continent and enable it to reap fully the opportunities for growth offered by the new markets. Of course, each country must in any case ‘keep its house in order’ by modernizing, stimulating competition, sustaining productivity growth, providing high-quality public services, and ensuring stable public finances. But only joint action can multiply the effectiveness of their efforts and promote a winning Europe in the global contest.

Both the divergent nature of national policies and the paucity of the results of the Lisbon Agenda show that Europe is *affected by* globalization, but that the *actor* able to react effectively to it is lacking. The challenge is becoming ever more difficult and the repercussions more serious; it is proving difficult to devise and implement effective responses; the number of people losing their jobs in firms driven out of the market by new competitors is rising, and they often lay the blame on Europe.

One area in which the lack of a European dimension in the response to globalization is particularly egregious is in Europe's representation on the world stage. At the Monetary Fund and the World Bank, the OECD, the Bank for International Settlements, in international fora such as the G8 and the G20, in all of these arena, where I have had direct experience over many years, the European presence is fragmented and hence almost insignificant: instead there are the representatives of the individual countries, the Commission, the rotating Presidency of the Union, the Eurogroup and the European Central Bank; they jostle one another to appear in the group photo, not caring that their divisions and exasperated craving for visibility prevents them from speaking with an authoritative common voice. Europe's influence is far less than its economic weight; for the most part it is hampered by global events rather than helping control them, it is the object and not the actor. All of this is glaringly obvious, but progress towards more effective forms of international representation for Europe is a hostage to the defence of national responsibilities that the reality of the world economy is making increasingly irrelevant.

IV. Energy

The object of division and conflict should become the point of contact and union. We owe it to Jean Monnet that this extraordinary intuition was transformed into a concrete project, the starting point more than fifty years ago for Europe's journey towards union. It was in this way that the two resources over which three wars had been fought in two generations at the very heart of Europe were placed under the joint control of a single authority: coal and steel, fire and iron.

In the half-century since then, the structure of the European economy has changed profoundly: steel production has migrated to the newly industrialized countries and the proportion of energy produced from coal has greatly diminished. But today, no less than then, a supply of energy that is secure, reliable and – in keeping with the sensitivity of our days – relatively clean remains a vital necessity for the European economy.

To trace the history of European energy initiatives is to trace the highs and lows of the integration process. The momentum generated by the Messina conference of 1955 led to the drafting of the Treaty of Rome and, at the same time, the atomic energy treaty, Euratom. The subsequent abandonment of the energy project owing to the re-emergence of nationalistic tendencies in the nuclear field, especially in France, coincided with a halt in work on the Community building site. More recently, the renewed drive in the construction of Europe that led to the single market and the single currency found expression in the energy field as well, in directives which, once they have been incorporated into national law, will lead to the abolition of national monopolies, the opening-up of the energy market, the reorganization of pricing systems, greater attention to environmental sustainability and the rational use of energy.

In the energy field Europe remains stranded in mid-stream. The single market is actually nothing of the sort, either from the point of view of *production*, with de facto barriers to foreign control of companies in the sector remaining in place, or from the point of view of *trading*, owing to the absence of interconnected networks that permit energy flows that are adequate in terms of volume and conditions. Market liberalization is still unfinished, especially as regards distribution, and substantial position rents persist. As a result, the price of energy to households and firms is higher than it could be, magnifying the effects of the rise in energy prices that we are bound to suffer owing to the increasing energy needs of the major emerging economies.

Europe's deficiency in the energy field is even more striking if we look further afield. The interruption of supplies of crude oil to Germany in recent days raises the worrying prospect of a decline in the security of supply – a risk that will become more acute with the foreseeable increase in Italy's and Europe's energy dependency, in particular if the curbs on nuclear energy are confirmed. Once again, in tackling the energy question the European countries are forgetting the adage 'united we stand': they are signing *bilateral* agreements with energy producers – both for the supply of energy and for investment in infrastructure – thereby increasing the bargaining power of their counterparties. In this way they are increasing the risk of dependency and reducing their own ability to influence decisions about exploration and extraction.

The key to ensuring reliability of supply has already been identified: it lies in the establishment of *cooperation* relationships with a *plurality* of producing countries. Only such relationships would create a climate of confidence and spawn long-term projects based on

non-discrimination in access to investment and licences. Only projects of this kind could deliver certainty and reliability as regards prices and supplies.

It is obvious, however, that implementing such a strategy is beyond the reach of individual European countries, even those that are strongest economically and politically. *None* of the European countries is now large enough for the world of today. Only Europe as a single entity can operate effectively by implementing its own energy policy consistent with a common security and foreign policy: that is how the United States operates, and how China, India and Brazil operate.

Europe's voice is also found wanting, weaker and less authoritative than it could be, on the question of the environmental and climatic effect of energy production and consumption.

The absence of union (with a small u) on energy issues translates into utterly ineffectual European representation in the international fora tackling two issues that are global *par excellence*, and which would be assigned unhesitatingly to a world government if only the principle of subsidiarity were applied, namely the pollution of the natural environment and climate change. Once again, it is the lack of a European dimension that is impeding the solution of a shared problem and exacerbating the consequences.

The proposal for a common energy policy put forward by the Commission in its Communication of 2006 could, if approved, lead to quite significant progress. It identifies six priorities: energy efficiency; completion of the internal market; renewable energy sources; nuclear security; relations with producers; links with policies on the environment and research. How can anyone disagree? What argument could persuade a rational person to deny the value of these six priorities? Whether the proposal is approved and implemented, or watered down to the point of emasculation or even rejected, depends on the Council, in other words on national governments, each of which has a power of veto: this is a lack of the European dimension, not a shortcoming of Europe, which can be remedied only by overcoming the jealous protection of national prerogatives that are now ineffectual.

V. Finance

Europe is also unfinished in the realm of finance. The transition to the full integration of financial services for businesses and consumers, the execution of transactions, and the possibility of transferring the control of financial or non-financial companies has not really happened. A single market in name, but not in fact.

Financial services mean providing assistance to businesses at the various stages in their existence and operation, beginning with the start-up phase when the entrepreneurial idea has still not been translated into investment and production. They mean the management of households' payments and savings, the pricing and execution of trades in debt instruments and shares, the accumulation and management of pension resources. The supply of financial services is still inadequate, does little to promote innovation and economic growth, and is only marginally exposed to the healthy bite of competition. This is true of Europe, and it is particularly true of Italy.

This leads to dissatisfaction on the part of consumers, who are becoming increasingly able to make comparisons with other countries' services and the prices they charge; the deplorable cases that have recently caught the attention of Italian financial and legal commentators are a reminder that investor protection is still inadequate. In Italy, as in other countries, there are few financial operators able to exploit fully the opportunities offered by the global marketplace, beginning with the European market itself, and to provide high-quality services at low cost. The lack of a European dimension imposes additional costs and unnecessary inconvenience on consumers and businesses.

The question of stock exchanges forcefully illustrates the difficulties caused by a Europe that is only half finished. The stock exchanges were privatized throughout Europe some years ago. From my position at CONSOB, of which I was then President, I was critical of the way in which privatization was carried out. The stock exchanges were public entities, providers of a public utility service; they were turned into private profit-seeking bodies, and shareholders then entered who were not always sensitive to the public utility and public interest aspects in this field, which range from the sensitivity of price formation to the fact that financial regulation focuses on issuers and listed securities.

The stock exchanges now compete with one another and are developing strategies guided by the profit motive. This might work well if there were a strong body to protect the European public interest, just as the regulatory framework and the monetary unit are European.

That is not the case, however, and it is so for lack of a European dimension. This means that there is not an entity to promote and safeguard this interest, charged with setting rules and driving the consolidation that will lead to a European stock exchange, in the way that in the eighties a national public body amalgamated local stock exchanges in Germany and Italy, for example. In the absence of such a body, the stock exchanges are not managing to consolidate, either through the mechanism of competition, in which a more wealthy and

entrepreneurial stock exchange manages to take over the others, or through the kind of coordination that took place at national level a few years ago. In my opinion, what we have here is a natural monopoly, but the driving forces needed to achieve it are blocked. The result is that the euro area does not have *its own* stock exchange, and suffers the resulting costs and inefficiencies.

In the financial field there is another case with which we are concerned at this very moment in which the lack of a European dimension is hampering the reconciliation between the European and national aspects of the public interest, which is none other than the search for a *common* interest among the countries of the Union: the regulation of take-over bids. Current Italian legislation, passed in the second half of the nineties, is based on the principle that there should be strong competition (in economic parlance, a high degree of contestability) in the market in corporate control so that there is greater incentive to manage the business efficiently. The European legislation that we must now incorporate into our law has not made a clear choice; instead, it is the miserable common denominator that emerged from the strenuous defence of existing national approaches. As a result, the directive allows national legislatures to maintain a less open stance, under which the group controlling the undertaking may erect stronger defences than those permitted under Italian law.

The consequence of all this is that we are now in a paradoxical situation: implementing the European directive may mean accepting a lower degree of contestability – and hence of competition or, if you will, of competition and market forces – than currently applies in Italy. For those who have known and supported European integration as a means of strengthening market forces and competition, the world seems to be topsy-turvy.

This paradox places Italy in a dilemma. Should we maintain a higher degree of contestability than in the markets to which ours is open, thus exposing our companies to possible attacks from which competitors in other European countries are protected? Or should we take a step backwards, at the very instigation of Europe, towards a situation in which competition in the market for corporate control decreases? In more general terms, this situation hampers the task of each country to regulate the relationship between corporate ownership and corporate governance, and to discipline the transfer of control.

It is difficult to escape the bitter conclusion that, in a situation in which Europe is unfinished, it is extremely difficult to make *national* economic policy; to make policy for a *European* single market is impossible.

VI. Where does Europe's deficiency lie?

I have discussed three examples; I could cite many others, in fields such as immigration and the welfare state, environmental research or protection, not to mention foreign and security policy. Each example illustrates how the shortcomings of the Union are in reality an *absence* of union, and that this consists in something very simple and precise: the dual inability to reach decisions and to put decisions into effect.

In its turn, this dual inability involves two very simple issues: voting and resources. We must examine these two issues briefly to understand how the absence of the European dimension can be overcome.

Let us begin with the first issue: voting, in other words the *means* of reaching decisions. Taking decisions in a union means choosing a single line of action, accommodating or overcoming differences or downright divergences of opinion on the way to proceed. The decision may well be, and often is, a compromise that perhaps does not fully satisfy anyone but which is acceptable to the majority.

In every human group, the need for union stems from interdependence between the members of the group, from the fact that no-one can achieve his own objective without the cooperation of the others. In the final analysis, this is the common cause, *res publica*; not agreement, but mutual dependence, even in disagreement. There is no need to seek union and a common decision where there is either total alienation or a perfect match of wishes and objectives.

In order to reconcile union and diversity, the need for joint action and the existence of diverging opinions, one method, and only one, has prevailed for millennia: decision by the majority, majority rule. If no-one can claim a monopoly on wisdom or power, different opinions are expressed, the supporters of the respective positions are counted, and the decision rests with the majority. No union is possible without the majority principle. The disheartening paralysis of the power of veto is not a defect of union, but the absence of union.

I am well aware that the system of majority rule is imperfect. Serious disadvantages of the method have long been recognized in many quarters and using a variety of approaches, including the analytical models of political scientists, and the most emblematic finding is that of Baron and Ferejohn, that 'majority rule allows the approval of any distribution, no matter how unfair, of the benefits from a common good'.

The limits and disadvantages of the majority voting system prompt us to try to improve the way in which it is applied, but they do not hide the fact that it is the only

effective means of reaching decisions when opinions differ as to the best course of joint action.

The second issue relates to resources, or the *ability to implement* decisions that have been taken. Decisions are useless without the instruments for putting them into effect. Well, the lack of a European dimension is also part of the reason for the inadequacy of the means of action, that is to say budget funds, the power to issue regulations, administrative and judicial mechanisms, diplomatic representation, security services, military forces. Without resources a union does not exist, it is *virtual*: for the sake of intellectual honesty, this has to be admitted without reservation.

The comparison with a domain in which the Union does exist – monetary policy – shows that one can speak of a real and functioning Union only when the passing of legislation for a common purpose or task (the *res publica*), is accompanied by an ability to take decisions *and* to put them into effect. It would be inconceivable to have a Monetary Union based on a European Central Bank (ECB) that was unable to set the intervention rate because a minority of the members of its Governing Council opposed the proposal supported by the others, or one based on an ECB unable to implement the Council's decisions because it lacked the systems for market intervention. The impotence of the ECB would lead the national central banks each individually to fill the void left by a common monetary policy that was only *virtual*.

VII. How to fill the void?

If the diagnosis is the absence of the European dimension, what is the remedy? It is here that the thinking and actions of Altiero Spinelli are topical.

The first part of the remedy is to break out of a debate that perpetually criticises the Union as it is today and proposes marginal changes in the present configuration but refuses to tackle clearly the choice of the union model towards which one wishes to move. From the time of his imprisonment on Ventotene until the end of his days, Spinelli never ceased to relate the current day to the final destination towards which he was striving: if you do not know the objective, you cannot even know where you are. The final destination of the European journey is now, more than ever, the factor from which to begin to define the path that will allow us to overcome the difficulties facing Europe.

The second part is a clear choice between the possible models for Europe.

Today Europe is in difficulty. The idea of a union seems to have gone out of fashion and there appears to be a widespread wish to halt on the path of unification, if not to turn back. Many say that this should be no surprise. Europe is directly or indirectly responsible for many of the ills of our society, according to a false and superficial rhetoric that blames Europe for imaginary misdeeds, disasters and excesses.

As I have said, my reading is different. It is not Europe that is the problem, it is the *lack* of Europe; it is the inability of the Union to take decisions and to put them into effect that exacerbates the problems of society in the countries of Europe. I have illustrated this thesis for the three fields of globalization, energy and finance, but the same conclusion would emerge from an analysis of many other knotty issues that all the European countries are trying to resolve.

The reading that I have suggested also indicates the only effective response: *make good the lack of the European dimension*, sanction the use of the system of majority voting, provide the means needed to put decisions into effect.

The remedy lies simply in making a conscious choice of the federal model, the one that creates an effective power of decision and action at a higher level than that of the States for matters which the States are no longer able to tackle alone. Only that choice can rectify the supposed shortcomings of Europe by rectifying the lack of a European dimension.

Such a choice cannot be made reality without a break in the constitutional framework. It is therefore a fundamental choice that must be made *before* determining the specific forms that the federal model can assume in the Europe that must still be constructed, important though those forms are.

By definition, it is for politics to find the means and consensus to realize the federal model and overcome Europe's inertia of the last decade. Political leadership must explicitly indicate the ultimate objective of federalism and then direct the debate to the concrete questions of the powers and responsibilities to be granted to the European, national and local levels of government. Discussion and mediation on these issues can and must lead to the concrete definition of the forms of government – Europe, nation state, local government – that best meet the challenges of today.

Europe must not only convince minds, it must (re)conquer hearts. Politics may succeed by regaining intellectual momentum and awakening an awareness that the sense of belonging to the Union does not conflict with, nor is it detrimental to, belonging to the national, local and municipal community. The political, cultural and human richness of

belonging to many communities expresses the full political, civic and moral value of *federal citizenship* – the ultimate meaning of the European edifice.

In August 1943, when he had just been freed from internment, Altiero Spinelli wrote in *L'Unità Europea* that he had just founded and managed: “The idea that the establishment of a federation means creating a federal citizenship must be the compass by which we set our course tomorrow in order to accept the vital solutions, whatever name they bear, and to reject those other solutions which, while perhaps appearing prestigious, would be completely incapable of developing in the desired direction”.

Today no less than then, that compass indicates to each of us the direction of the path to build a united Europe.