ORCHESTRA REHEARSAL OR EUROPEAN GOVERNMENT

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We could pretend to be unaware that the European Union itself was threatened as long as only a bank, an area of industry, or a neighboring country were affected. When it hit a country like Greece, a member of the euro group, it became self-evident that while Europe may not be to blame, it could well become one of the crisis' main victims. Thus many mindsets and political approaches have changed in the space of a few weeks and, in this context, the long-rejected expression "European economic government" has crept into the Union's official vocabulary.

Now, if we want to ensure that the debate which has been triggered helps our continent's economic, social and political situation to move forward in a positive direction, we urgently need to define and correctly apportion the tasks that should fall to the Union and those that should remain the province of the individual member states in the economic policy sphere.

To do this, we need to fully understand the historic significance of the moment we are living through. We have reached the end of a phase which began a quarter of a century ago -- a phase in which it was thought that building the European edifice simply meant creating nothing more than a single market. The market was intended to be European, but public-sector intervention remained the monopoly of the nation state. This led to the asphyxiation of the Union's budget, the rejection of the 1992 Delors plan, the rejection of the eurobond scheme, and the rejection of a European tax.

The Union backtracked to being a mere coordinator of national policies. Brussels made up for its own lack of specific powers by poking its nose into member states' business. There were no European tools; rather, attempts were made to harmonize national tools in some kind of symphonic concert, though the result was a concert without a musical score and without a conductor, emitting a cacophony even worse than the noise in Fellini's *Orchestra Rehearsal*, where the musicians rebel against the conductor.

Anyone familiar with the treaties knows that that was not the founding fathers' vision. Any expert in the field of economics knows that no market can function properly without a "government" acting within the perimeter of that market and capable of laying down rules, of ensuring that they are honoured and of producing public assets.

The ironic thing is that this "market only" strategy has ultimately prevented the market's unification and – now that the crisis has erupted – it is threatening to split that market apart in those areas where it has been implemented. We are standing today at a crossroads between the collapse of the Union and its genuine economic governance.

"Economic government" is an expression that has been loaded with very different and often conflicting meanings. It is invoked by those who want to see a European player capable of imparting political directives to the European Central Bank. That is a mistaken and a dangerous vision which needs to be firmly countered. Monetary policy's independence must not be called into question.

Others suggest that the Union should play a greater role in areas that are currently the province of the member states, such as budget policy, taxation and employment. In my view, it is an illusion and a mistake to view European economic policy as some kind of "power to coordinate" purely national policies. It is an illusion because that power, in the hands of the very people whom it is designed to govern, would prove to be impracticable just when differences are greatest and coordination more necessary than ever. And it is a mistake because member states must remain independent in their own areas of authority. No federal state in the world has a central government with the power to coordinate local governments.

A European economic government will make sense and will be effective only if it is a player rather than a mere coordinater, in exactly the same way as it is a player today in the areas of the single currency, of competitiveness and of external trade – a player not only in terms of ensuring more effective implementation of the Stability Pact so as to put an end to mutual indulgence, but also a player in initiatives designed to address the environment and energy crisis, to develop European infrastructures, to boost research, and to manage crises in given fields such as industry or finance. The authority over these areas that the treaties allot to the Union is not exclusive; it is what is known as authority "shared" with the member states. Today, however, the Union's "share" in this authority is nonexistent.

In order for the Union to become an economic policy player in the fields governed by this "shared authority", it must be allocated the tools that it needs in order to act: a larger and more flexible budget than it currently has; a European tax; common representation; and the authority to issue bonds on the market. When people object that this is impossible because there are no resources to fund it, they are being economical with the truth. Without making any changes to overall (both national and European) public-sector spending, our cutting the national quota while raising the European quota would allow us to achieve greater results, or to achieve the same results while spending less.