



Euro Bonds Are Crucial for the Creation of a ‘Great Europe’

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Currencies are symbols, more or less objective representations of economic and social performances, speculation tools and global regulatory instruments. The introduction of a shared currency represents an extremely radical change, and it helps us understand the difficulties we are going through. Between 1999 and 2007, the results obtained by Europe's economic and monetary union were praiseworthy. The growth rate was above 2 percent, there were 12 million new jobs and more integration on the investment and commercial fronts. However, as I pointed out in vain in 1987, something was missing: cooperation.

That's why I'm returning to talk about a "triptych" made of competitiveness, cooperation and solidarity. The European Central Bank is the monetary cornerstone of a system structured along national central banks.

The 1997 Warning

Given that economic unity didn't exist in Europe, in 1997 I suggested that economic cooperation be introduced along with the monetary stability pact. However, my proposal was rejected. At the time, it seemed that adding the term "growth" to the definition of the stability pact was enough, an indication that politicians are seduced by words. In fact, it was merely a stability pact: there were no economic-coordination nor incentive, cooperation or regulatory tools.

In 2000 I came to the conclusion that the euro is an effective protection tool but doesn't stimulate growth. Why? Let's go back to the Lisbon Process, which was designed in 2000: despite the progress I have just mentioned, Europe has failed at competing at the global level when it comes to growth and innovation in a constantly evolving world. At the time, I was mean enough to add that the euro protects even the foolishness of some countries.

Everything went well until the start of the global financial crisis. That's when the first wrinkles appeared on the Economic and Monetary Union's face—wrinkles that were caused mainly by debt. But it wasn't only public debt; it was also a matter of private debt. Ireland's and Spain's crises, for example, were caused by the worsening of private debt.

Once the crisis kicked in, Europe's governance system turned out to be a failure. The EMU's intervention has always been late and inadequate, given the way the events were unfolding.

It would be easy to blame the markets and speculators, but the world isn't made only of speculators: we shouldn't forget about the managers of insurance and retirement funds, who are constantly monitoring the markets. When experts wonder what the EMU's next step will be, they usually have five or six different opinions. How could there be only one reliable and reassuring opinion, given how things are? The needs of the euro zone, which were addressed in the preliminary report issued by the so-called Delors Committee in 1989, have been ignored or underestimated from a political and technical standpoints.

A solution that would guarantee efficacy and well-timed reactions could come from granting more power to the EU's executive and decision-making arms. But to what extent? How? And in which proportions, given that each country is different when it comes to sovereign rights?

The Road to Convergence

It's important to remember that the EMU doesn't have a single socioeconomic model and that demographic trends vary across Europe. If I were a member of the European Commission, could I really pass retirement laws for all European countries? Of course not. Which kind of complementary institutions could

secure some harmony in the economic-policy and monetary-regulation sectors? And within which kind of institutional framework, in order to make things simpler, more efficient and more coherent?

This is a crucial point, as the international crisis is far from being over. The euro crisis hasn't come to an end either. And while I'm writing, the markets and speculators wait in ambush. Today Spain's bond yields kept rising, while German bonds sank. In other words, there is not a lot of regulation.

While there is no doubt that some engage in the speculation that worries us so much, there is no point in debating the issue. We must find the right solution, which, in my opinion, may derive from a mix of institutional and economic considerations about the future of the EMU.

I have always underestimated a point highlighted by the 1989 report, even in my capacity as president of the EU Commission. The fact is that I didn't pay enough attention to the extent to which a common market with a single currency would increase the differences between European countries, despite the considerable funds directed at economic and social cohesion. We could say that to a certain extent countries in distress are to blame. While we must address these divisions by relying on social and economic cohesion, we must do so with tools tailored to individual countries, since Greece, Spain and Germany, for example, are not at all the same when it comes to competitiveness. How can we ask Greece and Spain to adopt the German model, a model that was tailored to the qualities of the German people and to some administrative and economic tenets specific to Germany? If European countries want to cohabitate, then institutional, administrative and economic courage is crucial, as is the awareness that the EU is a union that, though on the path to greater convergence, will always be made of different countries. In other words, the EMU must focus on cooperation and aid, two cornerstones of the strategy that, guided by social and economic cohesion, led to the common market.

Finland's request to link bailout funds to Greece to a collateral deal wasn't an exception. Other countries shared similar concerns. The problem is therefore widespread and reflected in Europe's rampant nationalism, through which political leaders trick public opinion and, at the same time, underestimate the advantages offered by the EU.

I often repeat that Europe's options are more than just survival or decline. The euro crisis overshadowed issues such as the budget deficit, the environment, the European Neighborhood Policy and the acceptance of new member states.

The problems of the EU must therefore be addressed as a whole, well beyond the current euro crisis.

Enhanced Cooperation

We should also address the differentiation built into the EU governance system. Differential integration doesn't equal a two-speed Europe. It merely reflects the fact that at a given time some countries will share more sovereign power as a way to stimulate further integration within the union—within the framework of the laws of a 27-member union, of course. There is nothing new to this: the Schengen Treaty and the euro are two examples of differential integration.

Enhanced cooperation, which was built into the Amsterdam Treaty, therefore has an institutional foundation. Enhanced cooperation allows some countries to instill a new dynamism into the EU. If the EMU were to display courage, it would implement enhanced cooperation at the institutional level.

Such vision and methods are not shared by all EU members, including important ones, which is a major problem for Europe.

In short, in my opinion the next 10 years will see these two scenarios, which are strictly interconnected: a "great Europe"—the product of new, desirable enlargements—and enhanced collaboration within the EMU. My vision is both ambitious and modest. It's ambitious to the extent that it aims at making such an enlarged Europe a key point of reference for any future reorganization of the world. At some point, the Association of Southeast Asian Nations asked us to explain what "collaboration" meant in the framework of Europe. The same happened with the Arab Maghreb Union and Mercusor.

It seems to me that this great Europe would also be a way to show that global regulations are necessary, right at a time when everybody talks about them. It would also be a way to say, "Here we are. We succeeded at creating a union that allows us to live better, be more effective and understand each other while always respecting the rule of law."

Another key issue is the division of responsibilities within the EU. The main flaw of the Lisbon Treaty was, in my opinion, that it didn't mark a clear distinction between European and national responsibilities. I'm not convinced by shared responsibilities, and I believe that they should be limited, to allow EU citizens to understand who does what.

In conclusion, I think our will to live together is very important, together with the indispensable common-market policies that represent the cornerstone of the EU. Far from having mere economic or commercial traits, this will is based upon the acceptance of interdependence, which is the foundation of the will to act together. My vision for a great Europe is also modest, as it wouldn't equal a German-style federal system, which, by the way, wouldn't be accepted. On the other hand, this great Europe, despite its glorious past, wouldn't aspire to rule the world. I'm referring here to Vaclav Havel, who better than anyone else, was the interpreter of an idea of a Europe that was both strong and influential. Havel explained that Europe should no longer be trapped in the nostalgic idea of ruling the world but instead aim to show the path toward peace and understanding among people. This would be a beautiful ideal for my vision of Europe.

The Euro Bonds

The EMU needs enhanced cooperation at the fiscal level and when it comes to some social policies, but, as I said before, always with the respect for the differences that exist within the EU. We must create tools that allow us to obtain more cooperation and solidarity, such as a common regulatory fund, aid to innovation and sustainable development and financial tools such as euro bonds. Euro bonds, if used wisely, would allow fund common projects and would create a credit market that would enhance the role of the euro at the international level.

However, when it comes to efficacy, I must stress once again the importance of the rule of qualified majority voting. I will quote the late Tommaso Padoa Schioppa, one of my cherished mentors, who said that "the paralysis produced by veto power isn't an imperfection of the EU but simply a symptom of a lack of a real union. The ability to make decisions exists only when it's possible to decide even when there is disagreement over an issue."

These words are crucial when we think about the future of the EMU as an institution, leaving the right of initiative to the Commission.

Given the options on the plate, I'm in favor of more federalism. For my great Europe, that would translate into a federation of nation-states, while for the countries belonging to the EMU, that would mean more integration—at the economic, monetary and, partly, social levels.

How to combine rules and politics? The EMU needs rules too. How is it possible, however, to create more cooperation, solidarity, coherence, simplicity and transparency without federalism?

In conclusion, the EMU's future will be preserved by displaying some institutional, economic and political courage. Monetary changes are the most radical ones, and our leaders are aware of that. But will they be able to carry them out?