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Europe Needs a Legitimacy Compact

By PASCAL LAMY

Whenever I travel around the globe these days I am asked how is it that Greece, a tiny economy, can have such a huge impact on Europe as a whole?

It is the lack of public confidence in the European project itself that is the problem. Citizens and markets have suddenly discovered that Europe can move backward, that integration can turn into disintegration and that the European edifice is not as strong as we thought.

How did this happen? Economic and political integration in Europe are built on a fine balance of three elements: discipline, solidarity and legitimacy. Economic integration presupposes common disciplines to regulate economic activity and create trust. But because it increases competitiveness, it also requires solidarity. Discipline and solidarity can only be held together in a legitimacy space; that is, if citizens share a feeling of belonging. Political integration is about defining effective common institutions capable of creating this feeling.

In its 60 years of integration, accident or will have repeatedly moved the European edifice out of balance, each time requiring a new equilibrium between these three elements. The euro crisis shows that Europe's institutions of political integration do not correspond to the economic integration that has been built. This imbalance is not sustainable, and new forms of discipline, solidarity and legitimacy have to emerge.

The euro crisis is actually three crises: one economic, one institutional and one of legitimacy. The economic component is the symptom — a dangerous combination of a lack of competitiveness, fiscal problems and shaky banks. The institutional component reflects the original sins in the design of the Monetary Union — Europe's insufficient central powers in supervision, resolution and risk-sharing that subsequent constitutional reforms have failed to address. Lastly, the euro is also plagued by a legitimacy crisis in which support for the common currency — and, more broadly, for the European project — is in decline.

The E.U. has made some progress in resolving the crisis. A few months ago, the debate revolved around a fruitless discussion: austerity or growth? More discipline or more solidarity? In fact, we need both. The adoption of the Fiscal Compact has improved discipline; a Growth Compact will provide new tools for solidarity. But fixing the institutions of the monetary union requires more: moving toward a banking and a fiscal union. Stability in the euro area calls for forms of risk sharing, such as a common deposit insurance. The E.U. also needs independent resources, such as a common tax on financial transactions, a climate tax and project bonds, to finance its growth plan.

Recently, a new angle to the euro crisis debate has emerged. This is political union. More stringent disciplines and stronger solidarity can only be held together by a leap forward in political integration. What would a European Political Union look like? It would be based on four pillars: the Community method; the centrality of the European Commission; effective but limited central powers; democratic legitimacy. Some of these steps do not require amendments to the treaties, others do. If no broader agreement can be found, progress will have to move on through forms of enhanced cooperation.

If some headway in Europe has been made, why has confidence not been restored? We lack a common narrative over the crisis, over the answers to the crisis or over the manner in which citizens will be asked to contribute. Europe needs a “Legitimacy Compact” to complement its Fiscal and Growth Compacts.

The survival of the euro hinges on the revival of the European integration process. The E.U. needs clear proposals linking short-run actions with long-term reforms; linking disciplines, solidarity and legitimacy. It needs a collective European enterprise that will deliver concrete results that meet the demands and expectations of European citizens.

Europe also needs a new headline. What are the shared gains of integration? The preservation of peace; a model of environmental protection; a broader economic market; a voice in world affairs; a unique social welfare system: This is the European DNA, the *raison d'être* of the European common house.

Who shall frame a new narrative for Europe? Who shall propose a new European project? I am convinced that this is the task of the E.U. common executive, the European Commission. It is its mission and it is its duty. Individual national governments or various forms of directorates simply lack a view of the common interest.

For this to happen Europe needs an open political process. There can be no real sense of belonging unless Europe finds a way to have a debate that transcends national borders, national issues, national parties. The E.U. needs to be ready to listen to its cities, to its regions, to its civil societies. In sum, the E.U. needs to be ready to listen to the European citizen.

This is not a recommendation for a distant future, but for the European elections of May 2014. Start today by implementing a proposal Jacques Delors made more than a decade ago: linking the choice of the Commission president to the results of European elections, with each political grouping proposing a candidate during the campaign, with each candidate proposing a program, a European-wide project.

The European stage must be lit up for the European project to advance. As Abraham Lincoln used to say, “With public sentiment, nothing can fail; without it, nothing can succeed.”

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