

Continuamos con la tradición inaugurada en el primer número de *Puente@Europa* de 2011 de incluir una sección en la que realizamos un seguimiento del debate sobre la crisis europea mediante documentos que, sin ser de índole oficial, se destacan por alguna cualidad de sus autores (renombre, cargos asumidos en el pasado, naturaleza del grupo, proveniencia geográfica, etc.) y por la originalidad de sus propuestas. Los reproducimos en orden cronológico y en su idioma original, siguiendo las reglas editoriales de sus versiones originales.

## ASSUME RESPONSIBILITY FOR EUROPE ANNUAL REPORT 2011/2012 *Consejo alemán de expertos económicos*

El Sachverständigenrates zur Begutachtung der gesamtwirtschaftlichen Entwicklung (*Consejo Alemán de Expertos Económicos*) fue creado en 1963 para asesorar al gobierno alemán en temas macroeconómicos. Lo conforman cinco expertos independientes nombrados por el Presidente de la República Federal de Alemania, bajo recomendación del gobierno federal\*. Tiene como objetivo fundamentar las políticas de cada institución involucrada en elecciones de índole económica y alertar a la opinión pública sobre estos aspectos. Aunque sus funciones sean consultivas, se convierte en un actor importante del proceso decisorio nacional. Sus reportes anuales son documentos esenciales para comprender el fundamento teórico de algunas decisiones gubernamentales relevantes en materias económicas. Sin embargo, sus críticas a ciertas posturas del gobierno actual nos indican el alcance de la autonomía política del mismo en estos aspectos centrales de la vida del país. Reproducimos a continuación la versión en inglés del sumario del último reporte (primer capítulo) publicado, como es tradición, a mediados de noviembre 2011. Dicha traducción se encuentra disponible en el sitio web de la institución\*\*.

1. Europe's economic policymakers face momentous challenges. The sovereign debt crisis in the euro area, which was initially confined to Greece, widened and deepened into a crisis of confidence. Amid mounting mutual mistrust among banks, lending on the interbank market largely dried up and the situation on the financial market recalled the dark days of 2008 that followed the collapse of Lehman Brothers. The nervousness was heightened by a widespread lack of confidence in the politicians' ability to rigorously and vigorously tighten the fiscal reins. Leaders in many countries, facing the unalterable necessity of consolidating public finances, were additionally confronted with the dilemma that pursuing a restrictive budgetary course might magnify the economic slowdown. As a result, monetary union is now trapped in a **vicious circle of an interlocking sovereign debt crisis and a banking crisis**.

2. In this daunting setting the **German economy** has remained remarkably robust in 2011.

Gross domestic product (GDP) will probably grow by 3.0 per cent this year but then slow perceptibly to 0.9 per cent in 2012. The labour market has performed especially strongly. The annual average number of officially unemployed persons in 2011 stands at 3.0 million, which is the lowest level in a decade. It is likely to fall further to 2.9 million in 2012.

These projections are, however, subject to sizeable risks that are hard to quantify. The German Council of Economic Experts –GCEE (*Sachverständigenrat*)– has therefore decided this year to compute alternative scenarios for Germany's cyclical development in the coming period.

If the sovereign debt crisis is not contained, this will have a considerable impact on the German economy's external sector. If the escalation of the crisis is confined to the euro area, output will grow in 2012 by just 0.4 per cent. If global distortions

concurrently lead to a stagnation of world trade, Germany will experience a slight decrease in GDP in 2012.

### I. Overcome the crisis in the euro area

3. Germany has a **particular responsibility** in overcoming the euro crisis. After many calls had been made for the country to act as lead firefighter, German policy-makers eventually assumed this role with the economic initiatives taken at the euro summit of 26 October 2011, where German pressure was instrumental in the adoption of extensive measures to combat the crisis. The necessary inclusion of such a European dimension was, by contrast, largely lacking in the German government's abrupt change of course in energy policy.

4. Safeguarding the stability of monetary union is not only in the interests of Europe, it is also in **Germany's own best interests**. Clearly, whatever measures are taken to solve the euro crisis will entail great expense and considerable uncertainty. In the end, all possible rescue scenarios involve high costs and high risks. In Germany the sometimes heated public debate focused on the high financial risks that taxpayers were bound to incur, with some commentators conflating their commiserations at the euro's unfortunate demise with congratulations on the imminent resurrection of the D-Mark.

Yet Germany has been a principal beneficiary of monetary union up to now. While it is extremely difficult to give a reasoned answer to the hypothetical question of whether Germany would have fared better had it kept the D-Mark instead of adopting the euro, Germany's track record prior to the launch of monetary union, as well as that of other export-oriented countries, suggests that a currency with a stable

\* Ellos son en la actualidad: Wolfgang Franz (director desde marzo de 2009), Lars Feld (desde marzo 2011), Christoph Schmidt (desde marzo de 2009), Claudia María Buch (desde marzo de 2012) y Peter Bofinger (desde marzo 2004).

\*\* Para más información, ver: <http://www.sachverstaendigenrat-wirtschaft.de/ziele.html?&L=1#c579>.

external value has positive effects on the real economy. The numerous appreciations of the D-Mark in the past caused severe economic problems for exporters and destroyed many jobs on balance. The recent appreciation of the Swiss franc demonstrated the explosive dynamics of a currency surge fuelled by speculation.

In order to curb substantial negative consequences for the Swiss economy, the central bank felt obliged to peg the Swiss franc *de facto* to the euro. Given the global interconnection of money and capital markets, the benefits of open product markets can only be had if, at the same time, it is ensured that the resulting instabilities pose no serious threat to the real sector.

And this protection does not come for free.

The politicians have evidently failed to **convince public opinion** of this self-evident fact.

What is more, they have often given the impression of being “pushed, pulled and paraded” by the financial markets instead of taking charge themselves (German president Christian Wulff, 24 August 2011).

**5.** It only dawned slowly on the euro-area governments that putting together increasingly gigantic rescue packages was not going to calm the escalating nervousness on the financial markets. However, the decisions taken by the **Euro summit** on 26 October 2011 offer a chance of restoring the financial markets’ confidence in the stability of monetary union at least for the time being.

– A sovereign debt haircut of 50 per cent and a new aid programme worth 130 billion euro are designed to open up for Greece a realistic prospect of consolidation. A bail-in of the private sector is to be achieved by means of a “voluntary” exchange of Greek government bonds.

– Leveraging the effective credit line of the European Financial Stability Facility (EFSF) to over one trillion euro is intended to ease the funding problem of countries currently racing liquidity difficulties. The leverage is to be effected by the EFSF providing investors who buy new government bond issues of euro-area problematic countries partial insurance against the risk of sovereign default. In addition, the EFSF, acting *in tandem* with other public and private lenders via special-purpose vehicles, will purchase bonds on the secondary market and in this case, too, partially underwrite the associated risks.

– The resilience of the banking system is to be strengthened by improving banks’ capitalization through extraordinary buffers for risky government bonds and a higher core tier 1 capital ratio of 9 per cent. These capital requirements are to be met by 30 June 2012. Failing that, the banks are to be recapitalized by their domestic government. If the sovereign itself cannot provide the extra funding, the EFSF will have to provide credit to it.

**6.** Quite apart from the fact that important details of these decisions still have to be ironed out, it is by no means certain that this will suffice to allay the nervousness on the financial markets even in the short term, let alone in the long term. The crucial precondition for achieving that goal is the implementation of a credible policy aimed at consolidating public finances in the problem countries. The ball is now in their court.

If the current political uncertainty in Greece can be overcome, the decisions agreed in October 2011 should **buy time**, in a similar way to the situation in May 2010 when the European Central Bank (ECB) decided to start purchasing government

bonds so as to help defuse the tensions on the financial markets. At that time the political leaders did not make sufficient use of the respite this afforded them in order to convincingly tackle the task of fiscal consolidation and, by reforming the financial market architecture, enhance the resilience of the financial system and break the vicious circle of an intertwined sovereign debt crisis and a banking crisis.

They must not make that mistake a second time.

### **Stabilizing public finances in the euro area**

**7.** The task of stabilizing public finances in the euro area must follow a two-pronged approach.

The immediate challenge is to avert the danger of a systemic crisis. This needs to be additionally flanked by putting in place a new institutional framework for monetary union that ensures fiscal discipline in the member states.

**8.** To **rapidly defuse tensions** on the markets, it is imperative that all countries concerned implement a convincing strategy to consolidate their public finances without delay. The two steps –the expanded rescue package and credible fiscal consolidation measures– together open up a realistic prospect of stabilizing the euro area. This should be the political leaders’ first aim. It is still possible, however, that the nervousness on the financial markets may persist.

Given such an unfavourable scenario, a strategy of **constant expansion of the EFSF would come up against limits**.

The dual danger would arise of an uncontrolled collapse of monetary union or the original sin of unlimited purchases of securities by the ECB.

Such a scenario of persistent investors nervousness on the financial markets would be attributable to inadequate fiscal consolidation results on the part of the member countries. This does not necessarily imply that in the euro-area states in question the will to achieve fiscal discipline is lacking or insufficient. If this were the case, monetary union would indeed be a basket case and would be doomed to fall apart. It is simply that, in the context of an economic downturn, fiscal consolidation can be harder to achieve and may disappoint the financial markets even though the countries concerned are in fact ready and willing to tighten their fiscal belt.

**9.** At this point, at the latest, more radical steps would have to be considered. They must focus on initiating a strategy that credibly reduces government indebtedness. One option could be a **debt repayment pact** (*Schuldentilgungspakt*) as proposed by the GCEE. This model is aimed at convincingly bringing the level of government indebtedness back below the 60 per cent ceiling stipulated by the Maastricht Treaty via a common redemption fund (*Tilgungsfonds*) and binding national debt brakes. In return, the participating countries would have the opportunity to partly finance their debt through a fund backed by joint liability. A key feature of this model is that the fund runs itself down automatically over time by means of a fixed schedule of repayment obligations. This automatic debt run-down, together with restrictive terms and stipulations, would make such a debt redemption fund a very different animal from Eurobonds.

**10.** Under the debt repayment pact, debt amounts above the Maastricht reference value of 60 per cent of GDP would be transferred to a common redemption fund subject to joint liability.

A consolidation path would concurrently be laid down for each country under which it would be obligated to autonomously redeem the transferred debt over a period of 20 to 25 years. This is roughly equivalent to the debt reduction rule contained in the Stability and Growth Pact (SGP), which stipulates that excess debt above the 60 per cent ceiling must be reduced at an annual rate of 1/20.

The debts that remain exclusively with the participating countries would be additionally limited by the introduction of national debt brakes. To stabilize the European financial markets, the debt repayment pact offers euro-area member countries the possibility of covering their current funding needs (for the redemption of outstanding bonds and new borrowing) via the **redemption fund** until the credit facility is fully utilized. As existing debts are thus not transferred to the fund all at once but instead successively over a **roll-in phase** of around five years, this would provide strong incentives for fiscal discipline. Thereafter a country's outstanding debt level would comprise:

- debts for which it is individually liable, amounting to 60 per cent of its GDP, and
- debts that, at the time of the transfer, exceed the reference value of 60 per cent of GDP and are transferred to the redemption fund. These debts are likewise redeemed by the individual country. The transferring country bears the primary liability and the redemption fund a secondary liability.

**11.** As a result, the redemption fund would accumulate a portfolio of bonds totaling around 2.3 trillion euro in the coming years. Italy would hold the biggest share in this portfolio with 41 per cent followed by Germany with 25 per cent. Other major obligors of the redemption fund would be France, Belgium and Spain. Key features of the concept are that there would be an upward cap on the amount of the debt in the redemption fund after the roll-in-phase and that, in addition, each country is obliged to redeem its own debt over a period of between 20 and 25 years. The joint liability during the repayment phase means that **safe bonds** would be created by means of which the European financial system could be stabilized until the national bond markets regain sufficient functionality. The transfers to the redemption fund would have to be structured in a way that ensures that the transferred debt is indeed paid down over a period of approximately 20 to 25 years. At the same time it must be ensured that

- the establishment of the redemption fund is and remains an exceptional episode of limited duration, and
- the debts for which the member countries are solely liable do not again exceed the ceiling of 60 per cent of GDP stipulated in the Maastricht Treaty.

**12.** The redemption fund as thus constructed is conceivable only if the joint liability is flanked by **strict fiscal discipline** that is based on various pillars.

**First**, the redemption fund requires the inclusion of a national debt brake in the constitutions of the participating countries as this is the only way to ensure the credibility of the long-term consolidation obligation. The debt brakes should be geared to the objectives of the reformed Stability and Growth Pact. In particular, it must be ensured that the structural budget deficit, following a transitional period, does not exceed the limit of 0.5 per cent of GDP. The binding nature of the national debt brakes should be reinforced by requiring that they be additionally monitored by an independent European agency

such as the European Court of Auditors.

**Second**, a safeguard must be included that enables the joint liability for new debt to be halted if a country does not comply with its commitments stipulated by the consolidation and growth strategy. In this case the roll-in would be stopped immediately and the country in question would then be fully exposed once more to the mechanisms of the international financial markets.

**Third**, to guarantee its payments to the fund, each participating country must promise to levy a surcharge on a national tax (value added tax and/or income tax), the proceeds from which would not flow to the national budget but instead would be channelled directly into the redemption fund.

**Fourth**, in order to limit the liability risk and as an individual contribution, all participating countries would pledge part of their international reserves (foreign exchange or gold reserves) as security against their liabilities. A contribution amounting altogether to 20 per cent of the credit underwritten by the fund should be hedged in this way.

**Fifth**, to cover the eventuality that an individual participating country is called on to pay up under its joint liability, its risk would have to be limited by agreeing a burden-sharing scheme among the remaining solvent participating countries.

**13.** The debt repayment pact would be robust to a challenge before the **Federal Constitutional Court** (*Bundesverfassungsgericht*). According to a ruling by the court of 7 September 2011, the *Deutsche Bundestag* (lower house of parliament) may not transfer its budgetary responsibility to other agencies through unspecified budgetary authorizations. One of the court's stipulations is that the German parliament must be able to decide on expenditure-related assistance payments to Germany's European partners on a case-by-case basis. Another is that the potential burdens on the central government budget must be limited in terms of time, scope and amount. Whereas the amount of financial obligations that Germany would incur under the debt repayment pact can be reliably delimited, it is not so easy to guarantee the duration of the commitment. It follows that the setting-up of such a redemption fund can be seriously envisaged only if there is a contractual safeguard prohibiting the fund from becoming a permanent entity for bankrolling the euro countries. The German parliament would therefore need to erect a legal fence guarding against the danger of the redemption fund's self-perpetuation in line with Article 146 of the Basic Law (*Grundgesetz*) concerning sovereign decision-making.

**14.** Ensuring the future fiscal soundness of the euro area additionally requires further reforms to the **Stability and Growth Pact**. The recent legislative thrust in connection with the "six-pack" proposals will make it easier to identify misdirected developments early on and to penalize them more effectively. As such they represent an advance on the *status quo ante*.

However, the new version of the Stability and Growth Pact still retains discretionary decision-making powers for the Economic and Financial Affairs Council (ECOFIN) at the key stages of the sanction mechanism under the excessive deficit procedure. The sequence of steps under the excessive deficit procedure should be completely determined by decisions of the European Commission, and these decisions should be over-ruled only by a qualified majority of the Economic and Financial Affairs Council (ECOFIN). It is worth considering a set-up similar to

that in competition law involving the transfer of the Council's decision-making competencies in full to a **commissioner in charge of economic and financial affairs**.

**15.** The overriding medium-term objective in the coming years must be to seek to strengthen fiscal discipline by devising a smarter rule-based arrangement, more independent decision-making within the Stability and Growth Pact and **preventive market discipline** via a stable long-term regulatory framework for public borrowers and private financial institutions.

### **Stabilizing financial institutions in the euro area**

**16.** The crucial need in Europe not only to consolidate public finances but also to stabilize the private financial system was [...] highlighted in mid-2011 with the renewed breakout of a **crisis of confidence in the European banking system**. It was triggered largely by feedback effects of the sovereign debt crisis in the euro area and threatened to escalate rapidly.

The euro-area heads of state or government thus felt forced to announce steps to stabilize the banking system. The 70 large European banks that were subjected to a quick stress test by the European Banking Authority (EBA) are required to increase their core tier 1 capital ratios to 9 per cent of their risk-weighted assets and also to establish an extraordinary capital cushion for risks emanating from sovereign exposures. These two measures must be implemented by mid-2012, failing which the banks are to be **recapitalized** using public funds. If the sovereign itself is unable to recapitalize its banks, it will be able to apply for resources from the EFSF.

The EBA's provisional calculations indicate a combined current capital shortfall of 106 billion euro. Greek banks account for the lion's share of this outstanding capital requirement with 30 billion euro, followed by Spanish banks with 26 billion euro and Italian institutions with some 15 billion euro. The respective capital gaps of German banks (around 5 billion euro) and French banks (around 9 billion euro) are fairly small, in the German banks' case thanks in part to write-ups on their holdings of German government bonds.

**17.** The GCEE welcomes the "bank package" as it can make a contribution to strengthening confidence in the banks and enhancing the stability of the financial system. Even so, it is conceivable that the planned measures may lead to adverse effects. There is a danger, in particular, that marking government bond portfolios to market may create uncertainties in valuing balance sheets and foster **accelerated deleveraging**. If banks are unable to raise the necessary extra capital under their own steam, they may prefer reducing their risk-weighted assets to a partial nationalization. Although the banks are expected to meet the higher capital requirements by raising private capital or retaining dividends and bonus payments, it is not clear how prudential supervisors will enforce this demand [...].

**18.** Sovereign debt crises are not a modern invention. The first documented payment default of a country dates from the 4th century B.C. Down the centuries and increasingly since the 1970s more and more sovereign debt crises have occurred, often in conjunction with a banking crisis and a currency crisis, giving rise to the expressions twin crisis and triple crisis. Nearly half of the financial crises over the past decades were triple crises, which caused extremely high macroeconomic costs. In view of these costs the International Monetary Fund

(IMF) proposed a new international financial architecture with an insolvency regime for sovereign states.

Although reforms at international level have fallen well short of these proposals, the main planks of a robust **regulatory framework for the euro area** can nonetheless be derived from the debate on the international financial architecture. An effective regulatory Framework needs to meet three requirements. First, it requires an insurance component for sovereign liquidity problems, with countries having to qualify in advance to acquire the insurance benefits by their good conduct. Second, the granting of more extensive support must be subject to stringent conditions. And third, a transparent, predictable and credible mechanism must be put in place for bailing in the private sector in the event of solvency problems.

**19.** The GCEE proposes a regulatory framework that meets these demands. Countries with a debt-to-GDP ratio of up to 60 per cent would have unlimited access to credit from the European Stability Mechanism (ESM) as long as they fulfilled the precondition of a sound economic and fiscal policy. Countries with a debt ratio between 60 per cent and 90 per cent can receive credit only if they implement multi-year adjustment programmes. If a country's debt ratio exceeds 90 per cent of its GDP, it will be able to apply for ESM loans only after restructuring its debts owed to private creditors. Such a regulatory framework would lay the basis for an effective because **preventive market discipline** since the conditions under which the private sector would have to take a hit would be transparent, predictable and credible. Such a Framework can only be introduced in the medium term; however, after the euro-area countries have reduced their debt ratios to 60 percent.

**20.** Also, the reforms to date for dealing with **systemically important financial institutions** (SIFIs) will not achieve the goal of preventing banks from taking sovereign states hostage. The envisaged reforms would be based on two pillars. First, a comprehensive International prudential supervisory regime is to be set up that would monitor cross-border financial institutions effectively in normal times, including a cross-border insolvency procedure to facilitate an orderly reorganization [...] of systemically relevant institutions in an emergency. Second, such institutions should hold significantly higher buffers in the form of capital and liquidity so as to lower the likelihood of losses leading to a financial institution's insolvency.

**21.** The reform of the **insolvency regime for banks** falls well short of the mark. Although in some countries national restructuring regimes have been created, these will prove of little use unless they can be applied effectively to institutions operating across borders. The reform proposals at international and European level merely seek to improve the coordination of national measures and therefore do not fill the bill of establishing an effective and credible insolvency regime. The GCEE has repeatedly argued the case for setting up a European restructuring fund equipped with appropriate powers to reorganize and restructure systemically important financial institutions.

**22.** In the absence of external buffers and the discipline of an effective restructuring and insolvency regime, it is all the more important to stiffen the resilience of systemically important institutions so that they are able to absorb unexpected losses without outside help. Since, from a macroeconomic perspective, capital generates far greater benefits than costs, it makes sense to **further strengthen the capital buffers** in order to bolster

the resilience of the banking and financial system as a whole. The introduction of a leverage ratio has the advantage that, in contrast to risk-weighted capital ratios, it is robust to incorrect risk valuations both in internal models and external models of the rating agencies. A leverage ratio captures all balance sheet positions with their full risk weight and thereby avoids, for example, the uncertainties of the valuation problem associated with government bonds.

One of the stumbling blocks to agreeing on the level of the leverage ratio is the lack of a uniform and internationally comparable definition. The **Basel definition** will set a standard that harmonizes different accounting systems, adjusts total assets and also takes off-balance-sheet positions into account [...]. The GCEE believes it would be appropriate, on the basis of the Basel definition, to limit a financial institution's on-balance-sheet and off-balance-sheet activities to 20 times its core capital. This equates to a **leverage ratio based on Basel of 5 per cent** (and is probably equivalent to an unadjusted balance sheet leverage ratio of roughly twice that level). The Basel Committee's proposed leverage ratio of 3 per cent could be taken as a starting point and then raised progressively until 2019. Its introduction should be shadowed by ongoing evaluation studies that examine its financial and macroeconomic impact in relation to the macroeconomic utility of a robust financial system.

#### Policy recommendation: think and act European

**23.** Germany's economic policy-makers will continue to face exacting challenges in 2012. Essentially this means no less than accepting and assuming responsibility for Europe. The stability of monetary union has to be safeguarded and outstanding key reforms of the financial market architecture need to be resolutely advanced. In Europe Germany must become the central generator of strategic visions and projects. Such a proactive role for Germany in zapping European economic policy must not stop at mastering the euro crisis and reforming the financial market architecture. An equally important arena is energy policy. Unfortunately, Germany's go-it-alone change of direction in 2011 showed no evidence of having a convincing strategy for embedding its national energy policy within a European context.

## II. Germany in an uncertain setting

**24.** The salient feature of Germany's economic development so far has been a strong recovery process in the course of which the losses sustained in the recession of 2009 were recouped. In mid-2011 German GDP consequently regained its **pre-crisis level** (Chart 1). However, the second quarter of 2011 saw the hitherto very dynamic upturn start to falter, even if the second-quarter figures were distorted by extraordinary factors.

The currently available economic indicators up to September 2011 suggest that the upturn will slow down towards the end of 2011. This is due first and foremost to a cooling of global economic momentum, which up to now has buoyed Germany's business activity via export demand.

In addition, the sovereign debt crisis in the euro area and the associated problems in the financial sector are **shackling economic development** in the euro area. Another factor is that a number of industrial countries are having to tackle the task of consolidating their public finances.

On the other hand, there is a good chance that the emerging market economies will continue to expand, albeit at a less dynamic pace. After German economic output was again helped in 2011 by a contribution from the external sector, it will have to rely in 2012 solely on the components of domestic demand. The GCEE forecasts a growth rate of GDP of 3.0 per cent for 2011 and of 0.9 per cent for 2012. This means that **the upturn in Germany is slowing down**. This represents a return to normal following the rapid boom. Consequently, GDP will settle again on a long-term path of moderate expansion in line with potential output. Inflation will ease slightly following the price rises in spring 2011. Consumer prices look set to rise by 2.3 per cent in 2011 and then by merely 1.9 per cent in 2012 (Table 1).

**25.** At the current trend the strength of the upturn and the evolution of GDP are subject to major risks. The deceleration of global economic expansion and the nervousness in the financial system pose a renewed danger to the German economy via the foreign trade channel. As the risks are very hard to quantify, the GCEE has calculated **alternative scenarios** for Germany's economic development in the next year.

The uncertainty surrounding the resolution of the sovereign debt crisis may have a major impact on world trade. There is

**Table 1. Key economic indicators for Germany<sup>1</sup>**

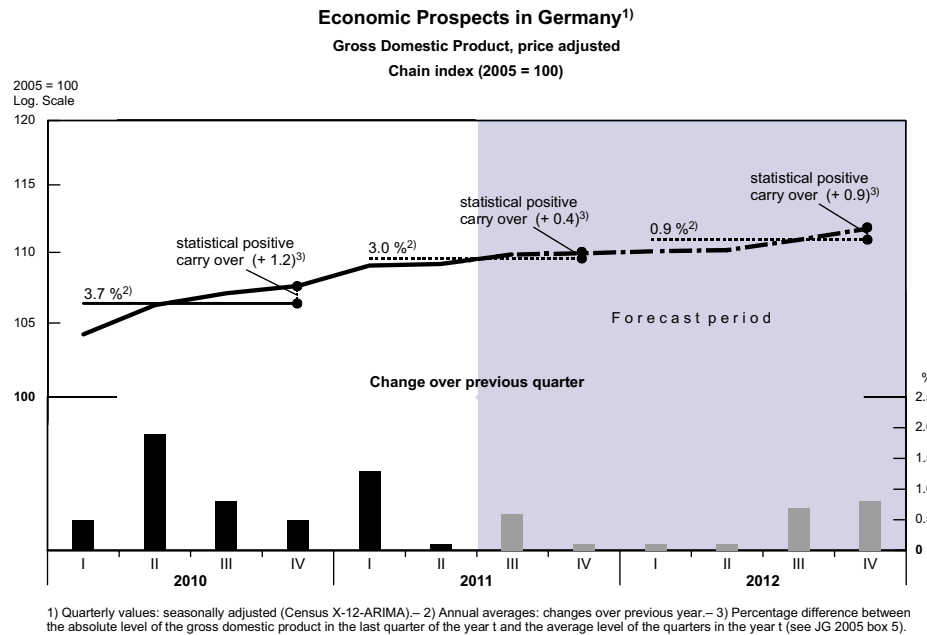
	2008	2009	2010	2011 <sup>2</sup>	2012 <sup>2</sup>
Gross domestic product	1.1	-5.1	3.7	3.0	0.9
Private consumption <sup>3</sup>	0.6	-0.1	0.6	1.1	0.9
Government consumption	3.1	3.3	1.7	0.8	0.9
Investment in machinery & equipment	3.6	-22.8	10.5	8.8	3.1
Buildings	-0.7	-3.0	2.2	5.2	1.5
Other investment	7.0	0.6	4.7	3.8	2.8
Total domestic demand <sup>4</sup>	1.3	-2.6	2.4	2.4	1.3
Terms of Trade <sup>5</sup>	0.0	2.6	1.5	0.7	-0.3
Exports of goods and services	2.7	-13.6	-13.7	7.8	3.2
Imports of goods and services	3.3	-9.2	11.7	7.1	4.2
Persons employed (domestic) <sup>6</sup>	40.35	40.36	40.55	41.09	41.23
Registered unemployment, stocks <sup>6</sup>	3.26	3.42	3.24	2.97	2.89
Persons employed, covered by social security <sup>6</sup>	27.51	27.49	27.76	28.41	28.69
Unemployment rate <sup>7</sup>	7.8	8.1	7.7	7.1	6.9
Consumer prices <sup>8</sup>	2.6	0.4	1.1	2.3	1.9
General government balance <sup>9</sup>	-0.1	-3.2	-4.3	-1.1	-0.7

a real danger that the already fraught funding conditions for sovereigns may tighten further. If the escalation of the crisis is confined to the euro area, the scenario projects a decrease in the volume of world trade from 4.9 per cent to 3.5 per cent. In that case German GDP would expand by only 0.4 per cent. If the many risks and uncertainties lead to a stagnation of world trade in 2012, the rate of change of German GDP would drop to -0.5 per cent and thus to a recession.

26. At the moment, however, the German economy is in a phase of slight overutilization of production capacities; in other words, actual output is above **potential output**, which is defined as

the economic output that could be generated by a normal level of utilization of all production capacities without additional inflationary pressure (Chart 2). Although aggregate labour productivity initially declined, unemployment barely fell during the recession. Even if the decline in labour productivity has still not been fully reversed, the hoarding of labour by employers was a key factor supporting the ensuing recovery. The GCEE puts potential growth at 1.2 per cent in both 2011 and 2012 (section on economic development). The relative overall output gap, i.e. the difference between actual and potential output in relation to potential output, in 2011 thus comes to around 1.4 per cent.

Chart 1

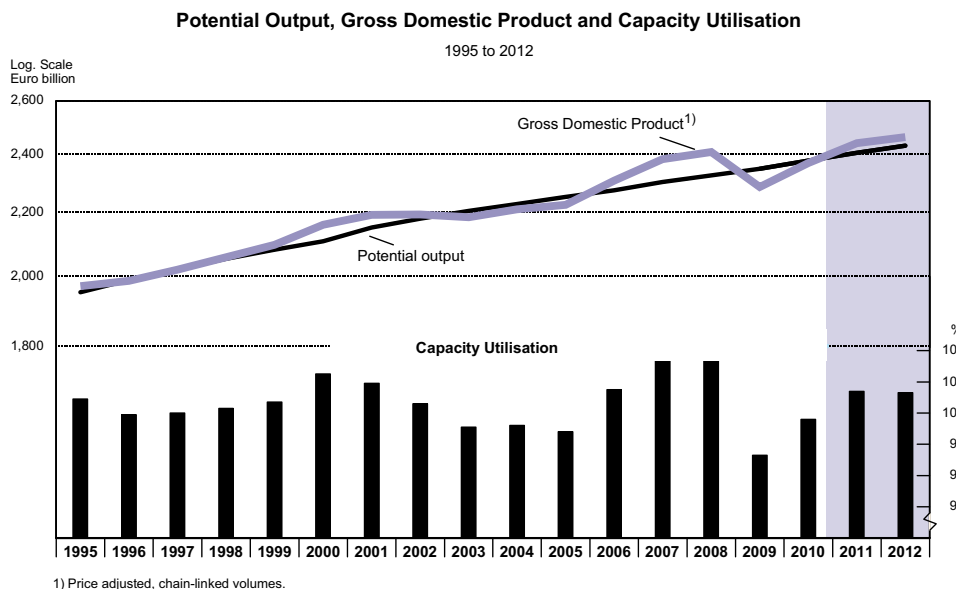


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27. On the back of the strong economic upturn, working hours, employment and hourly productivity all increased in Germany in 2011. **Employment** increased by 537,000 persons compared with 2010 while official **unemployment** decreased by 266,000 persons. In 2012, in a weakening economic setting, the number of employed persons is likely to rise –mainly thanks to the statistical overhang effect– by 143,000 to 41.2 million, and the

official jobless total to fall by 81,000 to just below 2.9 million. **28.** The consolidation of **public finances** made good progress in 2011 and should make further strides in 2012. With the deficit ratio recording a decline from 1.1 per cent to 0.7 per cent, the target of a balanced budget seems a much closer prospect than seemed possible at the height of the crisis. As in the case of overall economic development, forecasts of the net

Chart 2



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fiscal surplus or deficit are subject to major uncertainty. Given a renewed slump in economic activity, tax revenue can be expected to shrink perceptibly. And the revenue side has been the mainstay of budgetary consolidation to date. Receipts from some taxes registered their highest growth rates in 2011 since German re-unification. Yet even if the negative scenarios do not materialize, revenue dynamics may be expected to slacken in 2012. Although Germany's fiscal consolidation requirement has fallen overall, it is now becoming increasingly difficult to achieve. In 2011 the debt ratio receded somewhat following its surge in the previous year. It was still above 80 per cent, however. A further setback could occur in 2012 if additional euro-area states require assistance.

**29.** Notwithstanding all the external risks, it should not be forgotten that the German economy is well placed compared with other countries. The buoyant state of the labour market, the low budget deficit by international standards and the very favourable financing terms add up to a robust base for economic development going forward.

### III. Challenges in other policy areas

[...]

#### 2. Public finances: consolidation has top priority

**38.** Thanks to the buoyant revenue situation, the start that has been made to consolidating public finances went better this year than the German government expected. **General government revenue** rose by 5.6 per cent, which was the highest year-on-year increase since 1994. The combined budget deficit of central, state and local government plus the social security funds amounted in 2011 to 1.1 per cent of GDP. Even so, central and state government are still running such high deficits that they need to step up their consolidation efforts if they are to meet their commitments under the debt brake (*Schuldenbremse*) – in the case of central government in 2016 and for the state governments by 2020. The **debt-to-GDP ratio** declined to 80.4 per cent but might well rise again if additional euro-area countries require assistance.

All in all, the targets contained in the central government's draft Budget Act (*Bundshaushaltsgesetz*) are not very ambitious. Given the general economic slowdown and the slacker revenue growth that it is likely to entail in 2012, we can expect at best small steps towards fiscal consolidation.

**39.** Central government still needs to spell out the details of how it intends to comply with the new debt-capping rule. For instance, a **loan is booked as a financial transaction** which initially has no impact on the deficit. Hence under the new debt accounting rules, defaulting or forgiven loans ought to be subtracted from the permissible maximum borrowing total. If not, this pushes up the volume of newly incurred debt which would not be limited by the debt rule. Central government could, for example, grant a loan to the Federal Labour Office (*Bundesagentur für Arbeit*) and later waive its repayment without this having any bearing on compliance with the debt brake. While this is unlikely given the Federal Labour Office's current financial situation, the Act implementing Article 115 of the Basic Law (*Artikel-115-Gesetz*), which lays down the new debt incurrence rules, should be adjusted in order to prevent such potential evasion of the debt rule.

**40.** For their part, the state governments have been slow to

enshrine the **debt rule in the state constitutions**. So far only Hesse, Schleswig-Holstein, Mecklenburg-Western Pomerania and Rhineland-Palatinate have managed to incorporate a debt rule into their statute book. In Lower Saxony a constitutional amendment has been drafted and is currently being debated. Baden-Württemberg, Bavaria, Bremen, Hamburg, Saxony, Saxony-Anhalt and Thuringia have debt rules that lack constitutional status. Berlin, Brandenburg, North Rhine-Westphalia and Saarland have no debt rule at all at present. To comply with the debt brake that has now been written into the Basic Law, Germany's national constitution, it is imperative that these states, too, introduce debt rules – and without trying to dilute them with creative accounting options.

**41.** At the moment it is unclear how the necessary **extension of the borrowing cap to local government** is to be achieved. In particular, it is uncertain whether the municipalities (*Kommunen*) are to be roped together with their respective state for the purpose of the debt rule.

Under the Basic Law only central government (*Bund*) and the state governments (*Länder*) enjoy sovereign status, which means that local governments, despite the corporate autonomy bestowed on them by Article 28 (2) of the Basic Law, are merely sub-entities of the state government.

Consequently, pursuant to Article 106 (9) of the Basic Law the revenue and expenditure of local government (including local government associations – *Gemeindeverbände*) are allocated to the revenue and expenditure of their respective state government. Although it would be meaningful to likewise attribute the municipalities' fiscal balance, i.e. the difference between their revenue and their expenditure, to the state level, this is not obligatory under existing legislation. This is because, given the municipalities' extensive legal autonomy, a strict segregation between state government and local governments exists, especially in terms of budget law. In economic terms, however, the municipalities should indeed be included as part of their state government for the purpose of the debt incurrence ceiling in order to prevent them from borrowing excessively and state governments from offloading their fiscal consolidation requirements onto their municipalities. This outstanding ambiguity needs to be speedily addressed and resolved by the legislature.

**42.** The state budgets face substantial **consolidation requirements** for the period 2011 to 2020 and also beyond. Growing civil servant pension burdens and shrinking dedicated supplementary grants from central government (*Sonderbedarfs-Bundesergänzungszuweisungen*) will place extra strains on state budgets in future. The magnitude of the consolidation requirement varies greatly, however, from one state to another. Whereas Bavaria, Baden-Württemberg, Saxony and Hamburg need to undertake only small consolidation efforts or none at all, in order to comply with the debt rule, Berlin, Bremen, Saarland, Saxony-Anhalt and Thuringia will have to slash their current expenditure in the space of ten years up to 2020 by around one-fifth. But given rising and, in some cases, surging debt, the other states – above all North Rhine-Westphalia – likewise need to begin consolidating their budgets very soon.

**43.** On the tax policy front the political debate was dominated last year by the question of whether and to what extent the government might have leeway during the present parliament to reduce the taxes paid by the man and woman in the street. One of the options discussed was a reform of the income tax

schedule. Calls to substantially streamline the tax system or to introduce a comprehensive reform of municipal finances by replacing local business tax and the share of income tax revenue that currently accrues to local government with an entitlement to levy a local supplement on income tax and corporation tax went unheeded. Moreover, in March of this year the European Commission presented a draft directive for a **Common Consolidated Corporate Tax Base (CCCTB)**. A decision on the CCCTB is unlikely next year, not least on account of the likely revenue losses likely in Germany.

**44.** The discussion on reforming income tax has focused on so-called “bracket creep” (*Kalte Progression*) and the “middle bracket bulge” (*Mittelstandsbauch*). **Bracket Creep** refers to the additional tax burden on real incomes resulting from the fact that an inflation-offsetting rise in income automatically pushes the taxpayer up into a higher income tax bracket even if there has been no change in tax rates and tax thresholds. If no adjustment is made for Bracket creep, the tax burden of all taxpayers rises continuously in the long term; increasing shares of GDP would be transferred to the state in the form of taxes. Bracket creep leads to unjustified extra taxation. Even appreciable rises in real wages often result in only small increases in real purchasing power. Despite the adjustments to tax brackets and changes in the tax base, the effects of bracket creep will cause an extra tax burden in Germany up to the year 2013 that the government should offset by lowering marginal and average tax rates. This would deplete tax receipts by around 3 billion euro per year. Moreover, a commitment to cancel the effects of bracket creep at regular intervals should be incorporated into income tax legislation. This would also take some of the heat out of the perpetual political squabble about reducing the income tax burden.

**45.** By contrast, the extra strains relating to the “**middle bracket bulge**” are not manifestly inequitable. The term “middle bracket bulge” refers to the steeper upward tax curve in the first tax progression zone according to the rising tax bracket thresholds defined under the current income tax regime [...]. Given the high fiscal consolidation requirement, the GCEE therefore argues against adjusting the “middle bracket bulge”.

**46.** A correction of bracket creep during the current legislative term should be counter financed through **adjustments on the expenditure side** or the **elimination of tax benefits** so as not to jeopardize budgetary consolidation. Potential savings on tax benefits could include taxing the flat-rate commuting allowance (*Pendlerpauschale*) and the tax exemption of supplements paid for working at nights, on Sundays or on public holidays, as well as restructuring the taxation of the non-pecuniary benefit (*geldwerter Vorteil*) of using company cars for private purposes. The government should also review the tax-deductibility of services commissioned by households (*haushaltsnahe Dienstleistungen*) and repair and maintenance work commissioned by households (*Handwerkerleistungen*) if the underlying aims, especially curbing undeclared work, are not achieved or are achieved only at unacceptably high costs.

### 3. Labour market: ongoing employment boom

**47.** In 2011, as in 2010, the German labour market was buoyed by an unexpected **upward thrust**, even though this weakened a little in the second half of the year [...].

In October 2011 the official jobless figure fell to just 2.74

million and thereby reached a new low not equalled since 1991. Conversely, the number of employed persons increased further in the course of 2011 and the annual average employment total for 2011 of close on 41.1 million persons marked the highest score since the re-unification of Germany in 1990.

The number of jobs fully subject to social contributions rose to an annual average of 28.4 million in 2011, which was higher than at any other time during the past 15 years.

**48.** During the crisis year 2009 the German labour market proved very robust thanks to the hoarding of labour accompanied by a reduction of average working time. But equally remarkable is the almost continuous rise in employment since the middle of the past decade and, in this connection, the fact that the situation in 2011 is actually better than before the crisis. The reason for this success is the interplay of three factors: the **favourable international economic setting**, a generally **employment-friendly wage policy** and the effect of the **labour market reforms** carried out from 2003 to 2005. However, this impressive evolution of the labour market does not obviate the longstanding need to make the labour market more flexible. At the latest when the economy cools down, it is to be feared that the rigidities on the labour markets will act like a ratchet blocking the necessary adjustments. The still unacceptably high level of unemployment and the high level of underemployment demand institutional reforms as well as a wage policy that is not just employment-neutral but positively employment-friendly.

**49.** Contrary to what some observers have suggested, the upswing on the labour market has not occurred at the expense of the employees. In addition to the creation of numerous new and competitive jobs, the positive overall economic situation has also been reflected in a **marked increase in employee compensation**. On average in 2011 aggregate hourly gross wages and salaries per employee rose by 4.1 per cent year on year, while wages per employee went up at the somewhat slower rate of 3.2 per cent. The fact that the growth of gross wages and salaries per employee was smaller than the hourly increase is due to the employees’ longer working time owing to the crisis-induced catch-up requirement. In real terms, i.e. after deducting the rise in consumer prices that amounted to 2.3 per cent in 2011, gross earnings likewise increased appreciably. The fact that the rise in real net earnings was not as great is thus not the fault of the private sector.

However, these average values conceal a growing industry-specific and skill-related **differentiation of the wage structure**. Thus the intensifying competition among firms for skilled workers and the associated upward pull on wages does not extend to low-skilled workers.

This underscores the importance of vocational training for this section of the workforce. If that proves an unrealistic proposition, social policymakers must step into the breach.

**50.** Sceptical observers of the recent labour market development question the quality of the newly created jobs, including jobs fully subject to social contributions, owing to the increase in part-time working, the growth of temporary jobs and above all, the surge in hirings from agencies which, it is argued, frequently pay dumping wages. Another common allegation is that regular jobs have simply been substituted by temporary jobs for the most part. In actual fact, however, agency-hired male workers earned just about 10 per cent less than comparable full-time staff in 2009. In 2011 only 17 per cent of the growth in the



number of Jobs subject to social insurance contributions was attributable to the rise in **agency-hired workers**. [...]

**52.** Analyses to date of the factors responsible for the largely stable labour market development during the last sharp recession, which often focus on the reduction in working time, tend to take no account of the impact of German firms' **relocation of parts of the value added chain** to other countries. In the 1990s and the 2000s a considerable portion of German companies shifted some of their production steps abroad. This meant that the downward adjustment of labour levels during the recession took place partly in the foreign subsidiaries, not least because the German institutional regulations on short-time working and their further extension made it cheaper for firms to keep hold of their workers in Germany. For the crisis year 2009, when German GDP plummeted by 5.1 per cent, empirical studies provide evidence that, during the global slump, the adjustment of employment levels at the foreign production locations was indeed significantly higher than in Germany.

#### **4. Social security schemes: sound financial position, but reforms neglected**

**53.** The strong macroeconomic momentum and the healthy labour market situation have made a major contribution in 2011 to the comparatively positive financial situation of the social security schemes. The financial position of the **statutory pension insurance scheme** (*Gesetzliche Rentenversicherung*) is so good that the government is likely to reduce the contribution rate to 19.6 per cent from 1 January 2012. Furthermore, the "Government Dialogue on Pensions" initiated by the Federal Ministry of Labour and Social Affairs (*Bundesministerium für Arbeit und Soziales*) has put age-related poverty at the centre of the political discourse.

**54.** The GCEE accepts that, in recent years, the combination of a deteriorating labour market situation, the resulting rise in freelancing, the widening of the pay structure at the lower end of the wage scale and the reforms of the pension system, which will push down pension levels, might result in future in an increase in the number of retired people having to apply for welfare payments or top-up payments and hence in an increase in age-related poverty. At the present time it is not possible, however, to precisely quantify the expected rise in **age-related poverty** owing to the unclear long-term employment and income trends and, more especially, the existence of additional retirement incomes and accumulated assets.

Consequently, now it is not the time for curative measures aimed at expanding the range of the statutory pension insurance scheme's social benefits, even if they are tax-financed. Instead, policy-makers should concentrate on preventive measures. The GCEE lists among these the **introduction of an insurance obligation for freelancers and one-person firms for whom there is currently no social insurance obligation**, an education policy that raises the level of skills and qualifications and thus lowers the risk of unemployment, a health policy that supports both firm-level and individual prevention initiatives with a view to lessening the risk of disability-related reduced earning capacity, and an expansion of private old-age provision.

This could ensure as far as is humanly possible that each generation itself assumes the costs of avoiding age-related poverty rather than automatically passing these on to

subsequent generations.

**55.** The raft of revenue and expenditure reforms implemented in the Statutory Health Scheme Funding Act (*Gesetzliches Krankenversicherungsfinanzierungsgesetz*) adopted in 2010, especially the raising of the contribution rate to 15.5 per cent and partial capping of spending growth, have contributed, alongside the positive labour market situation, to a gratifying financial position for the **statutory health insurance scheme** (*Gesetzliche Krankenversicherung*) in 2011 [...].

**56.** In view of the current sound conjunctural setting and labour market situation, the **public long-term care insurance scheme** (*Soziale Pflegeversicherung*) should also post a positive result at the end of 2011. Nevertheless, expenditure is likely to outgrow revenue in the short to medium term, so that the public long-term care insurance scheme will record deficits in the future. These will be caused by the envisaged automatic increases in benefits and growth in the number of recipients plus the worsening ratio of contribution payers to benefits recipients due to demographic change. The GCEE suggests that the reform of the scheme's funding basis, which the government has announced but not yet implemented, should be geared to lightening the load on future generations by reducing the volume of inter-generational redistribution.

As in the case of the statutory health insurance scheme, this should ideally be achieved by introducing a citizens' flat-rate contribution system with a tax-financed social equalization component. Should this not prove possible, consideration should be given to other measures, such as higher contributions for co-insured spouses, the introduction of government subsidized additional private long-term care insurance provision or the establishment of a mandatory funded second pillar.

**57.** The financial situation of the **statutory unemployment insurance scheme** (*Arbeitslosenversicherung*) has likewise been boosted by the buoyant economy and labour market. Although the statutory unemployment insurance scheme will show a deficit at the end of 2011, this will be smaller than expected. Even so, it is evident that the raising of the contribution rate by 0.2 percentage point to 3 per cent will not suffice to avoid running up a financial deficit in an economic upturn and to build up reserves for economic downturns.

#### **Notas**

<sup>1</sup> Unless otherwise indicated: price-adjusted (changes over previous year); Change over previous year in percent (%).–

<sup>2</sup> 2011, own estimate; 2012, forecast.

<sup>3</sup> Including non-profit institutions serving households

<sup>4</sup> Domestic use.

<sup>5</sup> In percentage points.

<sup>6</sup> Thousands persons.

<sup>7</sup> Unemployment rate referred to entire civil sector workforce (employees, self-employed including unpaid family workers). Source: years 2008 to 2010 Federal Labour Office (*Bundesagentur für Arbeit*).

<sup>8</sup> Consumer price index (2005 = 100), change over previous year in %.

<sup>9</sup> Net lending of the central, state and local governments and the social security system, as % of nominal gross domestic product.

# A EUROPE FOR THE PEOPLE BY THE PEOPLE

*Declan Ganley and Brendan Simms*

*Tal como recuerda el documento del Consejo Alemán de Expertos Económicos (ver punto 18), las crisis relacionadas con la deuda tienen una larga historia. Entre las más interesantes, desde el punto de vista de la UE de hoy, se encuentra la crisis de las deudas soberanas de los estados norteamericanos entre 1791-1792. Al relatarla, los autores del presente artículo, publicado en el The Daily Business Post del 10 de enero de 2012, hacen una comparación iluminadora con la situación actual de Europa y extraen recetas políticas de su análisis. Entre los aspectos más interesantes del artículo, se nota la referencia a la falta de risk aversion como uno de los puntos calificantes del capitalismo norteamericano desde sus inicios (cruciales para entender su suceso económico) y la integridad de Hamilton a la hora de interpretar las consecuencias legales de este aspecto. Los autores del texto son, respectivamente, un hombre de negocios irlandés, mediático opositor al Tratado de Lisboa (que fue vetado en el primer referéndum irlandés del 2008 y luego aprobado en el 2009) y fundador del ya difunto partido Libertas\*, y un historiador de las relaciones internacionales afiliado a la Universidad de Cambridge del Reino Unido.*

As Europe considers its future in the midst of a financial and democratic crisis that has paralysed its institutions and member state governments, the root cause is clearly a crisis of European political leadership.

Given this challenge to Europe's future, we shall first look at how historic leaders facing similar -though not identical- crises responded to them and the formation process that motivated them to answer the call of history.

One of those leaders was Alexander Hamilton, trained first in the commerce of the West Indies and later as a remarkably heroic young officer of the American Revolution.

Hamilton was also a lawyer and leading author of *The Federalist Papers* and did much to weld America's political union, founded on firm democratic practice, before his untimely and tragic death at a relatively young age.

He never got to lead his country. However, he did get to serve George Washington in a position that was to become absolutely pivotal to the survival of the United States of America -as America's first secretary of the treasury.

On taking office in 1789, shortly after the conclusion of America's war of independence, Hamilton found himself with the challenge of shaping the economic framework upon which the nascent and very bankrupt United States would either perish or prevail. Hamilton's country had been ravaged by war and saddled by debt.

On top of that, he had to find a way of paying off a well-armed army that, in many cases, was waiting years of back-pay. In addition to domestic concerns, there were major foreign lenders, including some of the very largest and most powerful players in global finance at the time -French and Dutch bankers.

With Red Coats on the Canadian border still holding Western forts and the Royal Navy ruling the Atlantic waves, Hamilton quickly understood that the union's credit rating would play a large part in deciding whether or not America really had a future.

Hamilton, under Washington's protection as secretary of the treasury, was given the scope to establish the economic structural basis of America. That simply would not have been possible had Washington and the other Founding Fathers not

already put in place the initial mechanisms for government by consent.

Without Hamilton -or his patron, Washington- the superstructure facilitating the fantastic 19th century burst of American economic growth would simply not have occurred.

Benjamin Franklin's argument to the British in the 1760s was that a unified America would be an economic powerhouse and that they would be foolish in the extreme to risk losing it for the few seats the colonists wanted in the British parliament.

That hard-headed denial by the British elite, to bow to granting their colonies government by consent of the governed, was to have major consequences.

**There is no reason to doubt that a similar resistance by European elites could also have long-term consequences.**

On dealing with the most pressing matter of government debt, Hamilton was faced with the fact that the 13 founding states of the United States all had separate and disparate debts, built up during their times as separate colonies during the course of the war of independence

As the war had been waged in some states more than others and as the contributions of the states to the war effort and cost had varied greatly, even that portion of debt that was directly attributable to a form of "joint enterprise and expenditure", was not evenly or proportionately disbursed across all of the states.

On top of the states' debts, there was already a federal debt, which had been used to finance some of the cost of Washington's triumphant Continental Army, as well as some other federal borrowings.

Hamilton knew that he possessed limited short-term financial resources and that these many debts would have to be re-structured, while enhancing America's reputation as a borrower. One dilemma was that many securities had changed hands at significant discount, raising potential moral dilemmas.

Weighing his options, Hamilton decided that security of transfer and its repercussions for private property, were paramount to establishing credibility, thus assisting a favourable credit rating.

\* [http://www.libertas-institut.com/uk/uk\\_Vorlage.htm](http://www.libertas-institut.com/uk/uk_Vorlage.htm).

He then made the bold decision to federalise all of the state debts in distress, doing so to ensure the survival of the whole, rather than the sacrifice of any member state

Interest on the (already incurred) federal debt was at between 4 and 5 per cent and Hamilton understood that for the sake of American credibility, this debt, all owed to foreign lenders and primarily made to finance America's war effort, must be paid in full.

The various interest rates on the debts of the 13 states were higher, at 6 per cent or more. Hamilton knew that his ability to raise revenue was simply not sufficient to allow the servicing of the combined states' debts.

He also knew that bondholders sitting on state debts were exposed to a broad range of growing risks, of which they were well aware.

Hamilton also saw the opportunity to shift the loyalty of those creditors by giving them a stake in preserving a federal government by having it federalise the state debts and thus make those creditors commit 'risk on' to the new United States.

However, given the fact that combined state debts and interest were just too high to sustain, Hamilton decided to deliver a federal 'haircut' on assumption of the states' debts.

Hamilton took the path of offering 'voluntary' haircuts in a variety of options that largely boiled down to a partial payment at 6 per cent interest, a partial 'equity swap' (in Hamilton's case, for Western land that at the time was relatively valueless but had prospects), or payment at a lower interest rate, over a longer term but sweetened by quarterly, rather than yearly payments and paid from taxes specifically earmarked for the purpose of paying those bonds.

The creditors did the pragmatic thing and accepted Hamilton's offers. Hamilton drew those creditors into supporting his new country, while at the same time rescuing many of his 13 member states. Through his federalisation and re-structuring of unsustainable state debts, Hamilton helped cement the disparate states together to form their 'more perfect union'.

Hamilton's hands-on experience with a potentially catastrophic sovereign debt crisis caused him to leave some wise advice for posterity that growing debt "is perhaps the natural disease of all governments. And it is not easy to conceive anything more likely than this to lead to great and convulsive revolutions of empire".

He also wisely advised that he "ardently wishes to see it incorporated as a fundamental maxim in the system of public credit of the United States that the creation of debt should always be accompanied with the means of extinguishment".

That is to say, you don't take on a sovereign debt without also having in place a specific revenue stream with which to pay it down.

Europe of 2012 should duly take note.

As a means to finance debt, Hamilton set up 'sinking funds', revenue that was stored up to service debts and which he prudently and quietly used to buy back large amounts of government debt at bargain prices (Hamilton understood the Central Banker's art of 'creative ambiguity').

When considering Hamilton's approach, we see that bailouts were not his *modus operandi* [...].

The idea that any government, would (like the Irish governments of 2010/11) ever contemplate pledging taxpayer resources to fund already failed private bank risk, where the

initial loans were not made to, nor expended by government, would have struck Hamilton as beyond absurd.

Hamilton's most recent (and excellent) biographer, Ron Chernow, summed-up the completion of Hamilton's time in office as follows:

Bankrupt when Hamilton took office, the United States now enjoyed a credit rating equal to that of any European nation (back then, that was a good thing). He had laid the groundwork for both liberal democracy and capitalism and helped to transform the role of the president from passive administrator to active policy maker, creating the institutional scaffolding for America's future emergence as a great power. He had demonstrated the creative uses of government and helped to weld the states irreversibly into one nation.

It is popular today for Europeans to look back at the early formation of the United States of America and to say that it was inevitable, unique and took place in an already cohesive homogenous society.

The facts of the matter are more complex. The 13 colonies that made up the first states were disparate in their make-up and had seen their existence in relation to their ties with London, more greatly than they did to each other. American cities were filled with immigrants from all of Europe's cultures, speaking a multitude of languages, with English and German being the most dominant.

Great cultural differences existed between the states, perhaps the most acute being in their attitudes to slavery.

In summary, we would say the early institutional success of America's union was more due to the willingness and courage of a principled minority of gifted leaders (formed in a more meritocratic environment that, for its time, was somewhat less constrained by the sclerosis that often afflicts old establishments, and who were motivated by a common bond of morals and a pioneering willingness) to make sacrifices and take risks for the greater good.

This character served America well, when time and again, as her leaders were faced with seemingly insurmountable challenges, they took bold risks and eventually met with success. (The revolutionary war at first consisted of a succession of military defeats for George Washington's army. Where others would have accepted the 'inevitable', Washington and his men did not).

An observation of what some might consider a root of "American exceptionalism" was made by Alexis de Tocqueville, the great French statesman/writer of the 19th century.

In his 1835 book *Democracy in America*, de Tocqueville, observing the new American union from the perspective of a European, made incisive observations on the American appetite for risk in commerce. He first noted that, although American seamen were paid higher wages, their way of business was more competitive.

He went on to say:

How is it, therefore, that Americans navigate more cheaply than we do? [...] The European navigator ventures on the seas only with prudence; he departs only when the weather invites him to; if an unforeseen accident comes upon him, he enters into port at night, he furls a part of his sails, and

when he sees the ocean whiten at the approach of land, he slows his course and examines the sun...

The American neglects these precautions and braves these dangers. He departs while the tempest still roars; at night, as in day, he opens all his sails to the wind; while on the go, he repairs his ship, worn down by the storm, and when he finally approaches the end of his course, he continues to fly toward the shore as if he already perceived the port. The American is often shipwrecked. But there is no navigator who crosses the seas as rapidly as he does. Doing the same things as another in less time, he can do them at less expense...

Before reaching the end of the voyage with a long course, the European navigator believes he ought to land several times on his way. He loses precious time in seeking a port for relaxation or in awaiting the occasion to leave it, and he pays each day for the right to remain there.

The American navigator leaves Boston to go to buy tea in China. He arrives at Canton, remains there a few days and comes back. In less than two years, he has run over the entire circumference of the globe, and he has seen land only a single time. During a crossing of eight to ten months, he has drunk brackish water and lived on salted meat; he has struggled constantly against the sea, against illness, against boredom; but on his return he can sell the pound of tea for one penny less than the English merchant - the goal is attained.

Then in summary, de Tocqueville tells us:

I cannot express my thought better than by saying that the Americans put a sort of heroism into their manner of doing commerce. It will always be very difficult for the European trader to follow his American competitor on the same course. The American, in acting in the manner that I described above, not only follows a calculation, he obeys, above all, his nature<sup>1</sup>.

In essence, de Tocqueville assessed that if there was an American exceptionalism at that time (and he certainly concluded that there was), it culminated in an exception to risk aversion.

De Tocqueville's observations of American commerce, when added to the life stories of the founders of American union such as Hamilton, show an undeniable appetite for courage, boldness and heroic self sacrifice, underpinned by Judeo Christian values, yearning for justice and the rule of law, and the exercise of classical liberalism.

It is mildly ironic that many of the same voices in today's Europe that decry any concept of American exceptionalism are often the very same voices that seek to tell us that Europe can learn little from the American experience.

We dare to assert that Europe, facing our very own financial and political crisis of union, has something to learn from the American experiment, which after all, found its inspiration from the best ideas imported from European history.

What we need to learn most of all, is that which might define a 'European exceptionalism' requiring a complete re-think of Europe's approach to risk - political and financial. Because unless we radically attack the disease that has beset

the idea of European unity, this modern European experiment with union will fail, with consequences, as yet untellable, but that we believe may be severe.

It was the grand disaster of World War One that inspired the early founders of the European Union idea, an idea that only properly come into its own following the disastrous efforts to unite Europe under national socialist, communist totalitarianism.

Today, as we observe the now bizarre ritual of failed European summitry, the uninspiring posturing of Europe's 'leaders', the short-term political risk aversion, leading to chronic errors and splits with potentially dangerous long-term consequences, one cannot but wonder to what extent these politicians grasp the magnitude of what they are putting at risk by their petty politicking. It is therefore necessary to draw greater attention to the sucking wound that is really eating away at Europe's vitality.

That wound is the chronic lack of democracy, accountability and transparency now rupturing the heart of the European project and manifesting itself in everything from the machinations of the commission and the European Council's Committee of Permanent Representatives, to the board room of the ECB, to the back rooms of Europe's newest self-styled elite, the so-called Frankfurt Club whose policies, though not formed with malign intent, would still *de facto* turn the eurozone into what effectively would be a collection of vassal states.

So what are Europe's options?

It would seem, in their lack of vision, our leaders want to either go in reverse or continue the practice of strong rhetoric backed by limp action, all of which compounds the injustice that we see in Ireland effectively being forced to spend billions to make good the losses of bondholders that we at no point ever borrowed money from.

Looking at the consequences of Europe's leaders unwillingness to lead justly, or indeed at all, one is reminded of the words of Hamilton and de Tocqueville's contemporary, the great classical liberal and Irishman, Edmund Burke who said:

"Nothing turns out to be so oppressive and unjust as a feeble government."

Given all that has happened we now see Europe's choice as this: we either learn from the lessons of history and take the calculated but worthwhile risk to fully unite in a democratic and federal union, or we will see this project fall apart.

To believe that it can fall apart in an orderly fashion, reverting to a neat trading club is perhaps an over-indulgence in wishful thinking.

It is at least as likely that a collapsing of the European project, (made more likely by a collapse of the euro) would result in a balkanisation of Europe, as it is that it would lead to a return to some type of trading utopia that would be devoid of internal rivalries and outside threats.

For example, consider this. If the euro's collapse were to destroy the political credibility of the union in the minds of the average European, what might a sundering of Europe mean for Europe's eastern borders? The issues arising are too many to detail here. But they are deadly serious, with all the potential to become another Yugoslavia, but written on a much larger map.

The proposition of a fully federal European Union worries

many Europeans, and so it should. The idea that we would further centralise power to the European Union in its current form should be an anathema to any right-thinking lover of liberty and democracy.

In the words of the 18th century Scottish philosopher David Hume, “it is seldom that liberty of any kind is lost all at once.”

So Europe must now grasp the nettle of major reform, of ‘treaty change’, to establish a Europe not of the now defunct and bankrupt Lisbon Treaty, but one created ‘by the people for the people’, a Europe bringing us that only form of temporal governance that should ever be acceptable to free peoples; government by consent of the governed.

### **In summary, this is the federalisation that Europe should implement now:**

1. The position of president of the European Commission and president of the European Council should be merged into one office-holder and should be made subject of a popular democratic election to be held not later than December 2013. Voters should be weighted in an ‘electoral college’ type format so that smaller member states voters are not made irrelevant. This president would serve for one six-year term only and would be chief executive in the same manner as the president of the United States of America. An accommodation could be made to remaining European monarchies in respect of their historic traditions, to allow for some ceremonial roles.

2. The Commission should become the servant of the executive arm and be filled by the nomination of the democratically elected president, and the ratification of a newly created Upper House of the European Parliament.

3. An Upper House or Senate should be created, with four representatives of each member state each holding equal voting power. That is to say, Ireland will have four senators, as will Germany and other states. This upper house will be given the co-right to initiate legislation along with the lower house, the current EU Parliament.

4. The European Parliament should be reformed to give greater balance for population (which would favour larger member states) and should be given the power (along with its upper house) to initiate legislation.

5. All lobbying of the executive and legislative branch must be registered and transparent.

6. A full insolvency purge of all European financial institutions should be immediately undertaken. A liquidation and asset sale of all unhealthy institutions should take place forthwith. A writedown of significant size, together with a Hamiltonian scale re-negotiation should take place on all distressed EU member state debts. The federalising of all remaining state debt should immediately follow, backed by the issue of union bonds backed by the entire tax revenue of the eurozone.

7. The union civil service should be kept small and highly efficient; this should be enshrined in Europe’s new constitutional arrangement. A debt ceiling will also be set constitutionally.

8. The union should have monopoly of external action both in soft and hard power.

9. The ECB should be guaranteed full independence and a low inflation policy be pursued.

10. The official language of the union should be English. We understand the major sensitivities involved, but it is necessary to have one official language amongst so many, so as to remove any scope for ambiguity in laws and regulations or their interpretations.

11. The automatic right of secession for any member state should be provided for with a two-thirds majority of the acceding polity.

A new union settlement should be achieved by the urgent holding of a convention of pan-European delegates specifically elected for that purpose. These elections can be held quickly and will have a democratic legitimacy that the current spate of limp summitry lacks.

What is agreed at the convention, to be concluded by a fixed date, should then be put to the electorates of the entire union in a pan-European referendum to be held on the same date following an appropriate campaigning period (eg three months). Those member states voting ‘yes’ would be in, those voting ‘no’ would be out, with the possibility of joining by mutual agreement at some future point.

This initiative would catalyse the formation of a proper European political public sphere. It is now clear that real pan-European political parties need to be formed, to compete with each other and to provide the impetus for new ideas in Ireland and all across the European Union. It is our hope that such initiatives will be undertaken, starting in 2012. Ireland need not lack imagination, ambition or courage in this regard.

**It is to be understood that the above model will be unpalatable to many. However, anything less than a democratic federalisation of a similar form to that set out above, will result in failure and a loss of confidence in European unity that may lead to this continent turning back the clock by 100 years. The price is worth paying, the risk is worth taking.**

**As Europeans, we should, in de Tocqueville’s words, “open all [our] sails to the wind and seize this moment in history, while always guarding our right to government by consent of the governed, essential to maintain our individual liberty, which can never be negotiable”.**

### **Notas**

<sup>1</sup>Alexis de Tocqueville, *Democracy in America*, [1835], volume I, part 2, chapter 10. Chicago, University of Chicago Press, 2000.

# THE OUTLOOK FOR THE EURO CRISIS AND IMPLICATIONS FOR THE UNITED STATES \*

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## The outlook for the Eurozone

### Summary

Doom and gloom about the euro abounds. An increasing number of commentators and economists have begun to question whether the common currency can survive.

The economic and financial problems in the euro area are clearly serious and plentiful. The area is in the midst of multiple, frequently overlapping, and mutually reinforcing crises. A fiscal crisis is centered on Greece but visible across the southern euro area and Ireland. A competitiveness crisis is manifest in large and persistent current account deficits in the euro area periphery and even larger current account imbalances. A banking crisis was first evident in Ireland but has now spread throughout the area via accelerating concerns over sovereign solvencies.

I believe that these fears are vastly overblown. The European crisis is political, and even largely presentational, which is key to understanding how the crisis has developed and how it will be resolved.

The lack of confidence in the euro is first and foremost rooted in a crisis of fundamental institutional design. The Economic and Monetary Union (EMU) adopted in the 1990s comprised an extensive (though still incomplete) monetary union, with the euro and the European Central Bank (ECB). But it included virtually no economic union: no fiscal union, no economic governance institutions, and no meaningful coordination of structural economic policies.

It was assumed by the architects that economic union would inexorably follow monetary union. However, there was no pressure to create an economic union during the expansion period prior to the Great Recession. When the crisis hit, the contradiction triggered severe market reactions that continue to this day.

There are only two alternatives. Europe can jettison the monetary union. Or it can adopt a complementary economic union. For all the turmoil, I believe that Europe is well on its way to completing the original concept of a comprehensive

economic and monetary union and that Europe will indeed emerge from the crisis much stronger as a result.

The key to understanding the evolution of the euro crisis is to observe and analyze what the Europeans do rather than what they say. They have resolved all of the many crises that have threatened the European integration project, throughout its history of more than half a century, in ways that strengthened the institution and moved the project forward. At each key stage of the current crisis, they have in fact done whatever is necessary to avoid collapse. I have complete confidence that, in the crunch, both Germany and the ECB will pay whatever is necessary to avert disaster. The politics of each, as described below, assure this result.

The problem for the markets is that these central players cannot say that this is what they will do. There are two reasons. First, a commitment to bailouts without limit would represent the ultimate in moral hazard. It would relieve the debtor countries of the pressure necessary to compel them to take tough political decisions and maintain effective adjustment policies. Second, each of the four main classes of creditors —Germany and the other northern European governments, the ECB, private sector lenders, and the International Monetary Fund (as a conduit for non-EU governments like China)— will naturally try to transfer as many of the financial losses on Greek government bonds or European banks as possible onto the other three, limiting their own costs and risks in the process.

Every policymaker in Europe knows that the collapse of the euro would be a political and economic disaster for all and thus totally unacceptable. Fortunately, Europe is an affluent region with ample resources to solve its crisis —it is a matter of mobilizing the political will to pay rather than the economic ability to pay. Europe's key political actors in Berlin, Frankfurt, Paris, Rome, Athens, and elsewhere will thus quite rationally exhaust all alternative options in searching for the

\* El discurso se basa en el trabajo del mismo autor, junto a Jacob F. Kirkegaard, 2012, *The Coming Resolution of the European Crisis*, PIIE Policy Brief 12-1, Washington, Peterson Institute for International Economics, 2012; ver <http://piie.com/publications/pb/pb12-1.pdf>.

\*\* En enero 2013 será sustituido por Adam S. Posen.

\*\*\* Para más información, ver <http://www.iie.com/institute/aboutiie.cfm>.

best possible deal but at the last minute come to an agreement.

This is a messy and indeed cacophonous process that is understandably unsettling to markets and inherently produces enormous instability. Miscalculation, and thus disaster, is always possible under such a scenario. But the process in fact relies on financial market volatility to incentivize solutions that will ultimately resolve the crisis. Europe's overriding political imperative to preserve the integration project will surely drive its leaders to ultimately secure the euro and restore the economic health of the continent.

### The European Integration Project

The entire European project was of course driven by the existential geopolitical goal of halting the intra-European carnage that had persisted for at least a millennium and reached its murderous zenith in the first half of the 20th century. The postwar European leadership, driven primarily by Germany and France, chose the policy instrument of economic integration "to make future wars impossible." The project has experienced repeated severe crises over its initial half century but each was overcome, indeed giving way to renewed forward momentum for Europe as a whole. The overriding security imperative drove successive generations of political leaders to subordinate their national sovereign interests to the greater good of maintaining, and in fact extending, the European project.

Germany also has an overwhelming economic interest in the survival, and indeed strengthening, of the Eurozone. Its entire economic model is based on export-led growth and world-class international competitiveness. Before the euro, however, its large trade surpluses would often lead to sharp appreciation in the exchange rate of its national currency, the *Deutsche Mark*, that would to an important degree dampen its competitiveness and thus its growth.

Now, however, Germany enjoys the best of all worlds: the largest trade surplus of any country (even China) and a weak currency, as the euro reflects the much weaker economies of the periphery (and even France) as well as muscular Germany. Every German realizes that this unusual juxtaposition explains much of his country's ability to prosper through the Great Recession, and the current European phase thereof, that has severely retarded growth and job creation in almost every other country in Europe. They thus realize that it is imperative, in purely economic and financial terms of the national interest, to pay any conceivable price to hold the euro together.

The concept of a common currency was always an element in the region's vision of the ultimate goals of the integration project. Concrete thinking about an economic and monetary union in Europe goes back to 1970, when the *Werner Report*<sup>1</sup> laid out a detailed three-stage plan for the establishment of EMU by 1980. Members of the European Community would gradually increase coordination of economic and fiscal policies while reducing exchange-rate fluctuations and finally fixing their currencies irrevocably. The collapse of the Bretton Woods system and the first oil crisis in the early 1970s, however, caused the *Werner Report* proposals to be set aside for a time.

By the mid-1980s, following the creation of the European Monetary System in 1979 and the initiation of Europe's

internal market, European policymakers again took up the idea of an economic and monetary union. The *Delors Report*<sup>2</sup> from 1989 envisioned the achievement of EMU by 1999, moving gradually (in three stages) towards closer economic coordination among the EU members with binding constraints on member states' national budgets and a single currency managed by an independent European Central Bank (ECB).

Optimal Currency Area (OCA) theory<sup>3</sup> prescribes the characteristics required for a geographic area to obtain maximum economic benefits from adopting the same currency. It can offer guidance to economically rational leaders about whether it makes sense for their country to join a common currency. But it was not a carefully considered and detailed economic analysis that ultimately led to the creation of the euro. It was geopolitics and the completely unforeseen shock of German reunification in October 1990 that provided the political impetus for the creation of the Maastricht Treaty<sup>4</sup>, which in 1992 laid the legal foundation and detailed design for today's euro area.

With the historical parity in Europe between (West) Germany and France no longer a political and economic reality, after German reunification, French president Francois Mitterrand and German Chancellor Helmut Kohl intensified the EMU process as a political project to complete the integration of the French, German, and other European economies in an economic and monetary union that would accomplish full and irrevocable European unity.

This political imperative for launching the euro by 1999 frequently required that politically necessary compromises, rather than theoretically unambiguous rules, make up the institutional framework for the euro. OCA theory, and the earlier Werner and Delors reports discussing the design of EMU, had been explicit about the requirement to complement a European monetary union with a European economic union complete with binding constraints on member states' behavior. Political realities in Europe, however, made this goal unattainable within the time frame dictated by political leaders following German reunification.

The divergence in the economic starting points among the politically prerequisite "founding members" of the euro area made the imposition of firm fiscal criteria for membership in the euro area politically infeasible. The Maastricht Treaty in principle included at least two hard convergence criteria for euro area membership—a 3 percent limit on general government annual deficits and 60 percent limit on general government gross debt limit<sup>5</sup>. However, in reality, these threshold values were anything but fixed as the Maastricht Treaty Article 104c stated that countries could exceed the 3 percent deficit target if "the ratio has declined substantially and continuously and reached a level that comes close to the reference value" or "excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value." Euro area countries could similarly exceed the 60 percent gross debt target provided that "the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace."

In other words, it was a wholly political decision whether a country could become a member of the euro area or not. Membership was not objectively determined by the fundamental economic strengths and reform record of the country in question. And it was politically inconceivable to

launch the euro without Italy, the third largest economy in continental Europe, or Belgium, home of the European capital Brussels. Hence both countries became members despite having gross debt levels of almost twice the Maastricht Treaty reference value of 60 percent in 1997–98.

As a result, Europe's monetary union was launched in 1999 with a set of countries that were far more diverse in their economic fundamentals, and far less economically integrated, than had been envisioned in the earlier Werner and Delors reports or would be dictated by OCA theories. Moreover, shortly after the launch of the euro, European political leaders further undermined the credibility of the rules-based framework for the coordination of national fiscal policies in the euro area. Building on the euro area convergence criteria, the Stability and Growth Pact (SGP) was intended to safeguard sound public finances, prevent individual euro area members from running unsustainable fiscal policies, and thus guard against moral hazard by enforcing budget discipline. However, faced with breaching the 3 percent deficit limit in 2002–04, France and Germany pushed through a watering down of the SGP rules in March 2005<sup>6</sup> that, as in the Maastricht Treaty, introduced sufficient flexibility into the interpretation of SGP that its enforcement became wholly political and with only limited reference to objective economic criteria and data.

In sum, the euro area by 2005 was, as a result of numerous shortcuts taken to achieve and sustain a political goal, a common currency area consisting of a very dissimilar set of countries without a central fiscal authority, without any credible enforcement of budget discipline, and without any real deepening of economic convergence.

Initially, however, none of these fundamental design flaws mattered. The financing costs in private financial markets of all euro area members quickly fell towards the traditionally low interest rates of Germany.

It is beyond the scope of this policy brief to interpret the causes of this colossal and sustained mispricing of credit risk in the euro area sovereign debt markets by private investors in the first years after the introduction of the euro. But the financial effects were obvious: Euro area governments and private investors were able to finance themselves at historically low (often significantly negative real) interest rates seemingly irrespective of their economic fundamentals.

Valéry Giscard d'Estaing, when he was finance minister of France, criticized the “exorbitant privilege” enjoyed by the United States as the issuer of the world's reserve currency, enabling it to pay for imports (and foreign investments) in its own currency and making it seemingly oblivious to balance of payment constraints. With sudden access to “German interest rates,” many new euro area members suddenly enjoyed their own supercharged “exorbitant privilege.” Large public and private debt overhangs were correspondingly built up in the euro area in the first years of the new currency and in the run-up to the global financial crisis in 2008.

European policy-makers' initial denial and self-congratulations, coupled with financial markets' failure to properly assess the riskiness of different euro area countries and tendency to ignore the common currency's design flaws, thus conspired to ensure that the euro area, when it was finally struck by its first serious financial crisis in 2008–09, was hit by a double whammy of huge pre-crisis public and private

debt overhangs and a faulty institutional design that prevented an expeditious solution that would be credible to those same markets.

### **The political battle to save the Euro**

During its first decade, the euro area institutional framework was that of a “fair weather currency.” The area entered the Great Recession woefully under-institutionalized as a common currency flying on just one engine—the ECB—but without the unified fiscal entity that traditionally plays a critical role in combating large financial crises. The euro area leaders have had to build their crisis-fighting capacity and bailout institutions (the European Financial Stability Facility/ European Stability Mechanism (EFSF/ESM)) from scratch, and in the midst of crisis, to prevent their immediate financial predicament from getting out of control while simultaneously reforming the flawed foundational institutions of the area. Achieving the dual policy goals of solving a current crisis while trying also to prevent the next one—and using the same policy tools to do both—is rarely easy.

This marks a crucial difference from the United States. Once the Troubled Asset Relief Program (TARP) was finally passed, close collaboration between the multiple existing institutions in the United States (Treasury, Federal Reserve, Federal Deposit Insurance Corporation) ultimately restored market confidence and stabilized the situation in March 2009. In the United States in 2008–09, the economic crisis compelled the Fed to immediately apply the so-called Powell Doctrine —overwhelming firepower— to restore shaken market confidence and give the federal government time to formulate a longer-term response in fits and starts through the TARP. This is a fairly well established crisis response function. The central bank comes out with monetary guns blazing and then sits back and prays that the politicians do the right thing. (Congress did of course pass TARP after initially rejecting it but has not yet chosen to institute a sustainable fiscal response for the United States.)

The ECB, as the only euro area institution capable of affecting financial markets in real time, is a uniquely powerful central bank. Its institutional independence is enshrined in the EU treaty and it is not answerable to any individual government. This has enabled it to function as a fully independent political actor, interacting with elected officials during the crisis in a manner inconceivable among its peers. Quite unlike normal central banks, which always have to worry about losing their institutional independence, in this crisis the ECB has been able to issue direct political demands to euro area leaders—as with the reform ultimatum conveyed to Silvio Berlusconi last August—and demand that they take action accordingly.

On the other hand, the ECB has not had the luxury of adopting the straightforward crisis tactics of the Federal Reserve and the US government within a fixed set of national institutions. The ECB cannot perform a “bridge function” until the proper authorities take over because no euro area fiscal entity exists. Moreover, to commit to a major “bridging monetary stimulus,” as some have called for, would undermine chances of a permanent political resolution to the euro area's underlying under-institutionalization problem. Were the ECB



to cap governments' financing costs at no more than 5 percent, for instance, euro area politicians would probably never make the painful but essential decisions.

Saddled with administering a common currency, and endowed with governing institutions flawed by early political compromises, it is hardly surprising that the ECB's dominant concern as it manages this crisis has been to prevent "political moral hazard" and not let euro area leaders off the hook. Precisely because Silvio Berlusconi would still be prime minister of Italy if the ECB had purchased unlimited amounts of Italian government bonds at an earlier time, the central bank is highly unlikely to provide the necessary assistance to euro area elected leaders to end the crisis—including the Italian successors of Silvio Berlusconi—unless and until they offer and implement a suitable *quid pro quo*.

It is imperative to understand that it is not the primary purpose of the ECB, as a political actor, to end market anxieties and thus the euro area crisis as soon as possible. It is instead focused on achieving its priority goals of getting government leaders to fundamentally reform the euro area institutions and structurally overhaul many euro area economies. Frankfurt cannot directly compel democratically elected European leaders to comply with its wishes but it can refuse to implement a "crisis bazooka" and thereby permit the euro area crisis to continue to put pressure on them to act. A famous American politician has said that "no crisis should be wasted" and the ECB is implementing such a strategy resolutely.

So far the ECB has been reasonably effective in this strategic bargaining with euro area governments. It has also consistently been willing to reverse itself when circumstances demanded. The initial Greek crisis in May 2010 led to the first "grand bargain" between the ECB (which agreed to set up the bond purchasing Securities Market Program) and euro area governments. Their agreement produced strong commitments for structural reforms in Spain and elsewhere. It also produced 440 billion in resources for the newly created EFSF, which proved to be an effective euro area fiscal agent when the problem was Greece, Ireland, and Portugal. Again, one must watch what they do rather than solely what they say.

The EFSF is inadequate when the problem becomes Italy and Spain, however. The ECB and euro area governments have therefore for some time been engaged in a new round of strategic bargaining to put together a sufficiently large financial rescue package, secure structural reform of the two big debtors (especially Italy) and, perhaps most importantly, to complete the euro area institutional house. The EU Summit on December 9, 2011 represented the latest round in this game of political poker.

### The December 2011 Summit

The real economy in the euro area has gradually deteriorated as regional policy-makers dithered in their management of the complex crisis. This rising "economic collateral damage" has increased the pressure to act and led many to speculate that the euro is facing collapse.

This is nonsense. It is abundantly evident that all the key political decision makers in Europe—the ECB, the German government, the French government, Italy, and even Greece—are keenly aware of the catastrophic costs of such

an outcome. Greek politicians know that, without the euro and outside the European Union, their country would collapse into a politically vulnerable economic wasteland and/or experience a military coup (the collapse would be far worse than the economic crisis seen since 2009). Angela Merkel knows that, were the euro to collapse, Germany's banks would collapse too under the weight of their losses on loans to the euro-area periphery; the new Deutsche mark would skyrocket, undermining the entire German export economy; and Germany would once again be blamed for destroying Europe. The ECB of course would not want to put itself out of business.

Those political games of chicken are repeatedly being played by all actors to try to extract the best possible deal for themselves. In the end, all will compromise. It is not a coincidence that Greek political leaders, once threatened with expulsion from the euro by Angela Merkel and Nicolas Sarkozy at the G-20 meeting in Cannes, formed the previously elusive national unity government in one week. Italy moved in the same manner within days of its *diktat* from the ECB. Once Germany and the ECB feel they have gotten the best possible deal, or have run out of alternatives, they will pay whatever it takes to hold the euro together. Neither can afford not to. But neither can say so in advance or, at the other extreme, risk seeing their bluff called.

Seen through these lenses, the EU Summit on December 9, 2011 developed in an understandable and promising manner. Two issues were central.

First, after 18 months of accelerating economic crisis, EU leaders finally began detailed political discussions about how to reform the flawed euro area institutions. At German (and implicitly ECB) insistence, the talks focused on a new "fiscal compact" aimed at finally producing for the euro area a set of binding budget rules that will constrain member states' policy in the future. Due to the reluctance of the United Kingdom to accept a revision of the existing EU treaty, a new intergovernmental "coalition of the willing" compact may have to be negotiated among a sub-group of the 27 members of the European Union. Substantial legal and institutional uncertainty and "implementation risk" consequently surround these preliminary political decisions and the crucial legal details remain unfinalized. Yet the fact that 26 (or even 23) European heads of state and government declared their political intention to enter into a new fiscal compact, which will severely constrain their future fiscal sovereignty, is testament to the unflinching will to do whatever it takes to save the euro.

Many were disappointed by this narrow agenda and the lack of discussion of a larger centralized EU budget, like in the United States, or the immediate creation of joint eurobonds. However, it must be recalled that, as discussed earlier, Europe does not have the democratic legitimacy to collect taxes for a centralized budget at this point. Similarly, Europe lacks the compelling "endured in a common cause" (i.e., the Revolutionary War) political narrative that enabled Alexander Hamilton to pool together the debts of individual US states into common Treasury bills and bonds. Italy's debts have been run up to benefit Italians and other European taxpayers will surely revolt if suddenly compelled to pay part of them.

The reality in the euro area is that, for the foreseeable

future and unlike in the United States, the overwhelming majority of government taxation and spending will continue to reside at the member state level for reasons of political legitimacy. Only a minor part will be pooled at the supra-national level. Restricting this spending via a new fiscal compact is consequently the only pragmatic route for now, leaving other aspects of euro area fiscal integration to the future.

Second, EU leaders tried to thrash out a sufficiently large financial firewall to restore confidence in the solvency of Italy and Spain. This issue was addressed in several ways. For one, euro area leaders reversed their initial intent to insert Private Sector Involvement (PSI) clauses into the new permanent ESM treaty. This should make it clear that private sovereign bond market investors face the same legal environment in the euro area as elsewhere, making the case for “Greece being a unique case” legally and politically more credible. This should ultimately help restore fleeting investor confidence in euro area sovereign bonds. In the grand game of distributing the costs of the euro area bailouts, private investors will not be asked to take haircuts other than in Greece in the hope they will then lend new money to the other debtor countries as the latter undertake the needed adjustments.

### **The role of the International Monetary Fund**

EU leaders further continued their sparring about the ultimate distribution of the costs of extending the euro area financial rescue by pledging €00 billion (€50 billion from the euro area) in new general resources to the International Monetary Fund (IMF). This would come in the form of loans from EU central banks<sup>7</sup> with the political understanding that the resources would be utilized predominantly to stabilize Italy and Spain. This attempt to involve the IMF directly in the rescue of the two larger euro area economies is in many ways reminiscent of the two-thirds/one-third financing split between the euro area and the rest of the world (as shareholders of the IMF<sup>8</sup>) for the existing IMF programs for Greece, Ireland, and Portugal.

However, given the better economic fundamentals in Italy and Spain and the prohibitively high costs of extending to them the type of traditional IMF programs granted to the three smaller euro area economies, a less politically intrusive and less expensive vehicle for IMF involvement may be found. This will still presumably entail special IMF borrowing from surplus and creditor countries around the world. A number have already said they will participate in such an initiative: Brazil, new G-20 chair Mexico, Russia, and a number of non-euro Europeans. China and other large Asian holders of foreign exchange have been more coy. They have also clearly indicated a desire to diversify their huge reserves away from dollars, however, so new claims on the IMF would presumably look quite attractive to them from a purely financial management point of view.

Total IMF borrowing, and the creation of a “firewall” to insure against default by major euro area countries, should and probably will exceed € trillion. Taken in combination with the €00 billion in the EFSF/ESM, the €00 billion or more from the ECB from its previous programs (€11 billion in sovereign bond purchases through the Securities Markets Programme (SMP), €89 billion in three-year loans<sup>9</sup>), and its essentially unlimited liquidity

provisions to the euro area banking system, this amount should convince even the most skeptical market participants that the “firewall” is adequate even for Italy and Spain.

In now turning to the IMF, the euro area leaders acknowledge that their previous “euro area governments only” EFSF bailout vehicle will not be an efficient mechanism through which to provide assistance to Italy and Spain. While this may seem like a political setback, going through the IMF rather than the (leveraged) EFSF in fact provides the euro area with significant credit enhancement because it makes it much more likely that other IMF member governments, e.g., China and other surplus countries, will choose to contribute.

In that way the IMF will quite likely serve as a far better leverage mechanism for the euro area’s own resources (150 billion) than had this money instead simply been added to the EFSF itself<sup>10</sup>. Euro area governments will have successfully shifted part of the costs of any future financial rescues onto the rest of the world. The rest of the world will of course extract a suitable price from the euro area for this service in the form of European political concessions in other policy areas. This could, for instance, be a good time to demand that the euro area consolidate its representation on the IMF board to a single seat (from its current eight) and accelerate the transfer of its quota shares to the financially contributing emerging markets.

### **Moving towards Fiscal Union**

Recent ECB policies have similarly tried to shift the bailout cost to other entities. In his December 1, 2011 testimony before the EU Parliament Mario Draghi famously stated “We might be asked whether a new fiscal compact would be enough to stabilize markets and how a credible longer term vision can be helpful in the short term. Our answer is that it is definitely the most important element to start restoring credibility. Other elements might follow, but the sequencing matters”<sup>11</sup>. This was immediately taken by markets to mean that, provided EU leaders agree on a new “fiscal compact,” the ECB would be willing to step up its sovereign bond market interventions and largely pick up the tab for bailing out Italy and Spain.

Unsurprisingly, euro area bond markets rallied strongly in the expectation of an official sector bailout from the ECB until the next Mario Draghi press conference on December 8, 2011, when he walked back his earlier comments by stating in response to a question that: “The purpose of the SMP is to reactivate the transmission channels of monetary policy. As I said in the statement to the European Parliament, the SMP is neither eternal nor infinite. We must keep this in mind and we do not want to circumvent Article 123 of the treaty, which prohibits the monetary financing of governments [...] the need to respect the spirit of the treaty should always be present in our minds”<sup>12</sup>. Hence the ECB would not be willing to proactively bail out private investors in the Italian and Spanish debt markets. Those markets fell dramatically on the very day of the EU Summit.

The ECB signal thus sent to EU leaders ahead of their summit seemed unambiguous: It is up to the fiscal authorities, not the monetary authorities, to pay to restore market confidence in the Italian and Spanish bond markets. By turning to the IMF at their summit, euro area leaders indicated

that they had clearly gotten the message.

The ECB refused to intervene directly and more forcefully in the euro area sovereign bond markets on December 8, 2011. But the central bank did effectively bail out the entire EU banking system, and with it many of the private sovereign bond creditors, through a series of additional enhanced credit support measures to support bank lending and liquidity in the euro area. These included unlimited liquidity provisions for three years, compared to a previous maximum of one year, expanded ECB collateral eligibility to include bank loans, and cutting the reserve ratio in half to 1 percent<sup>13</sup>.

These forceful ECB liquidity measures were clearly warranted given the stress in the inter-bank credit markets in the euro area. However, they also provide a potential back door for euro area banks to use some of the funding available from the ECB to purchase additional euro area sovereign bonds and thereby stabilize markets. In this way, assuming that euro area banks can be morally swayed to make such purchases, the ECB would indirectly provide the financing for private banks to support the euro area sovereigns. This would constitute a below-the-radar bailout of governments by the ECB through the private banking system with the political benefits to the central bank that it does not violate the EU treaty ban on monetary financing.

In summary, the December 9, 2011 EU Summit shows how the key actors in the euro area crisis are still positioning themselves to force others to pick up as much of the costs of the euro area crisis as possible. In the meantime, the crisis continues and may superficially appear to be insoluble. There are in fact several possible solutions to stave off a near term meltdown, however, when Italy and Spain begin their large bond rollovers in early 2012:

- Germany can write a check and agree to expand the EFSF/ESM and/or give it a banking license.
- The IMF can write a check using new resources from the euro area and rest of the world to put together a sizable new support program for Italy and/or Spain.
- The ECB can write a check and begin to purchase much larger amounts of the relevant sovereign bonds.

It remains to be seen which solution will ultimately be chosen. It is possible, indeed likely, that the ultimate package will combine parts of each of the above. But it is obvious that none of these solutions are even remotely as costly for any of the main actors involved, inside or outside the euro area, as a sovereign default in Italy and/or collapse of the euro. That is why, once the political pre-positioning is over and the alternatives are exhausted, the games of chicken will end and the political decision on how to split the bill for securing the euro's survival will be made.

### The remaining agenda

Even the most successful financial engineering in the euro area will ultimately fail, however, if the debtor countries, and indeed the region as a whole, are unable to restore at least modest economic growth in the fairly near future. This requires at least three major steps:

- The borrowing countries must adopt convincing pro-growth structural reforms, especially in their labor markets, as well as budgetary austerity.
- The strong economies in the northern core of Europe, especially Germany, must terminate their own fiscal consolidations for a while and adopt new expansionary measures, i.e., they should buy more Italian and Greek goods and services rather than debt instruments.
- The ECB must promptly reduce its policy interest rate by at least another 50 basis points and buy sufficient amounts of periphery bonds through the SMP to help push their interest rates down to sustainable levels.

There has been much talk about the infeasibility of achieving the needed "internal devaluations." Germany has achieved just such an adjustment over the past two decades, however, probably amounting to about 20 percent of the (overvalued) exchange rate at which it entered the ERM/euro, through a combination of budget tightening and structural changes like the Hartz labor reforms. At the other end of the size spectrum, Latvia achieved an even speedier and more spectacular correction of its huge current account deficit of 25 percent of GDP and, only three years later, is now combining renewed growth with an external surplus. Italy has previously achieved dramatic adjustment, notably to qualify for the euro in the first place. (Greece never did so and its ability to remain within the zone is clearly more problematic.)

The agenda for the euro area, and indeed Europe more broadly, thus ranges well beyond the financial engineering that is clearly the most urgent requirement to overcome the crisis. Both the history of the integration project and the revealed responses at each stage of the current turmoil, however, suggest that both the historical imperatives and economic self-interest of all the key countries, both creditor and debtor, will coalesce successfully. Watch what they do rather than what they say as the drama continues to unfold.

The final major political challenge on the euro area agenda for 2012 goes beyond measures to address the immediate crisis but rather focuses on the longer-term continuation and direction of euro area institutional reform. During 2012, the euro area is likely to adopt a new and considerably more credible set of fiscal rules and budget oversight regulation. This has been a clear demand from both the ECB and Germany. But while the new fiscal compact will undoubtedly help stabilize the euro area in the future, it must be thought of as merely a beginning of the institutional reforms needed in the region. Fiscal consolidation is not everything and the movement toward further and symmetrical deepening of euro area fiscal integration must be maintained. Following the "fiscal rules first" down payment, euro area leaders must consequently take further concrete steps in 2012 on a reasonable timetable toward the introduction of measures such as eurobonds.

It took ten years for the first serious economic and political crisis to arrive after the euro was introduced. The most challenging part of today's crisis is to use the political opportunity it presents to get the basic economic institutions right and complete the euro's half built house for the long term. In this process the euro will develop in a different manner from the full economic and monetary union established in the United States. It will require additional

substantial treaty and institutional revisions in the future. But as the US Constitution's 27 current amendments clearly show, faulty initial designs need not preclude long-term success. If the history of the integration exercise and its crisis responses to date are any guide, Europe will emerge from its current turmoil not only with the euro intact but with far stronger institutions and economic prospects for the future.

### **The implications for the United States and US Policy**

The United States has a major national interest in successful resolution of the European crisis. Europe is the largest market for US exports and by far the largest locus of US foreign investment. There are extensive financial linkages between US banks, and other financial institutions, and their European counterparts. A breakup of the Eurozone would push Europe 12 into a sharp recession or worse with sufficient spillover to the United States to sharply truncate our (already weak) growth as well. Europe of course remains our major international ally as well and any recrudescence of intra-European conflict, which only the European integration project has been able to check, could be disastrous for US foreign policy and indeed national security.

The Europeans should of course provide the bulk of the resources needed to resolve their crisis. They are doing so already and I have suggested that they will do whatever else is needed.

But there may be domestic political limits on those contributions in Europe, as everywhere else, and the rest of the world may thus need to help. It did so quite usefully in the initial phase of the crisis when the International Monetary Fund provided one third of the external financing required for Greece, Ireland and Portugal. IMF involvement is highly valuable for a second reason that may be even more important than its money (although the two necessarily go hand in hand): its greater ability to devise and enforce the needed disciplines on the borrowing countries, due to its long experience with such programs and far greater ability to adopt a tough stance toward the borrowers.

There is a growing consensus that the IMF should position itself to play a similar role in Italy and Spain, the two large Eurozone borrowers, both became IMF conditionality would then be even more crucial and because their financial needs, which together could total 1 trillion, could be beyond the capability of even Germany and the other strong eurozone countries. Even if the money were never used, moreover, the creation of such a substantial "firewall" could be crucial in convincing markets that defaults by these large economies would be inconceivable and thus restoring confidence in the overall outlook.

The IMF now has about \$400 billion of usable reserves. It is planning to seek loans from its member countries of \$500-600 billion to create a "firewall" of the desired magnitude. The United States has a major interest in the success of this project and should support it strongly.

Many people believe that the United States, as a rich country and the traditional leader of the international monetary system, should also contribute to the exercise itself. This would be inappropriate, however. The objective is for the IMF to borrow from creditor countries that are running

large trade and current account surpluses (and to channel these funds to debtor countries that are running large deficits and undertaking serious adjustment programs). The main targets should be countries with very large foreign exchange reserves: most notably China but also Japan, Russia, oil exporters in the Middle East, Korea, Brazil, Singapore, Hong Kong and several others in Asia. Several of these countries, such as Brazil and Russia, have already indicated their readiness to contribute.

By contrast, the United States is the world's largest debtor country. We are running annual current account deficits of \$500 billion or more. If we were to lend to the IMF, we would have to borrow even more from China and our own foreign creditors. It would be far better for the Fund to borrow from those countries directly.

At the same time, it is imperative that the Congress work with the Administration to pass the legislation needed to implement the IMF quota reforms agreed at the G-20 summit in Seoul in November 2011. That agreement included a doubling of the IMF's quotas, and thus its basic resources, though without any increase in total US financing for the Fund because our increased quota would be fully offset by a reduction in our commitment to one of its earlier borrowing agreements. Even more importantly, it redistributes quotas and thus voting rights at the Fund away from the grossly over-represented Europeans to the grossly under-represented emerging markets, which will be an essential part of the "grand bargain" under which they will lend substantial additional resources to the Fund to enable it help Europe on the needed scale. The US quota and voting share would change very little and we will continue to have veto power over any major IMF decisions, which is why our vote is required to implement the reform package and Congressional approval thereof is so important to promote US interests.

The United States can thus provide crucial support for resolving the European economic and financial crisis through the IMF, without spending any additional money, by supporting both the agreed quota reforms and the proposed new borrowings from major surplus countries. I strongly recommend that the Congress support both steps as quickly as possible.

The final, and very important, point is that we should understand that the euro crisis is a wakeup call for the United States as well. In the short run, the travails of the Europeans have led to large capital flows into the United States and the dollar that have contributed substantially to our very low interest rates despite our failure to seriously address our own budget problem and the related downgrade by Standard and Poor. Hence Europe has shielded us from much of the adverse effect of our own policy failures.

But we must remember that the financial markets were pricing Greek (and Irish and Portuguese and Spanish and Italian) debt at virtually the same rate as German debt only a few years ago. When reality set in, the crisis exploded very quickly and those countries were forced to adopt drastic fiscal adjustments at the worst possible time – when their own economies, and the neighborhood, were already very weak. On realistic current projections, the US deficit and debt numbers will look as bad in less than ten years than Greece's did at the onset of its national nightmare.

Hence we should regard the euro crisis as a wakeup call for ourselves rather than a source of solace that enables

us to put off our day of reckoning a bit longer. The current weakness of our economy and the fact that we do have time to adjust means that we should combine short-term stimulus with decisive actions now, not just words and new procedures, that will correct our budget imbalance and debt build-up over the next three to five years. A failure to do so would mean that we have learned nothing from the euro crisis and will come to rue our failures to act as much as Greece, Italy and the other periphery debtors in Europe are now doing.

## Notas

<sup>1</sup> Available at [http://aei.pitt.edu/1002/1/monetary\\_werner\\_final.pdf](http://aei.pitt.edu/1002/1/monetary_werner_final.pdf).

<sup>2</sup> Available at [http://aei.pitt.edu/1007/1/monetary\\_delors.pdf](http://aei.pitt.edu/1007/1/monetary_delors.pdf).

<sup>3</sup> See Mundell, R. A. 1961. A Theory of Optimum Currency Areas. *American Economic Review* 51 no. 4: 657–665.

<sup>4</sup> Available at <http://www.eurotreaties.com/maastrichtec.pdf>.

<sup>5</sup> The actual numerical reference values to article 104c of the Maastricht Treaty are in a protocol on the Excessive Deficit Procedure to the treaty. Available at <http://eurotreaties.com/maastrichtprotocols.pdf>. The Maastricht Convergence Criteria for euro area membership eligibility included three other metrics: inflation (within 1.5 percent of the three EU countries with the lowest inflation rate), long-term interest rates (within 2 percent of the three lowest interest rates in the European Union), and exchange-rate fluctuations (participation for two years in the ERM II narrow band of exchange-rate

fluctuations).

<sup>6</sup> See EU Council Conclusions March 23, 2005, available at [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/84335.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/84335.pdf).

<sup>7</sup> Note that this means that any loans made to the IMF by euro area central banks will expand the consolidated European System of Central Banks' (ESCB) balance sheet, even if the loans are not disbursed by the ECB itself.

<sup>8</sup> The two-thirds/one-third breakdown is not entirely accurate, as the euro area members are sizable shareholders of the IMF themselves and hence in total contribute more than two-thirds of the total financing of these programs.

<sup>9</sup> One might arguably also add the two ECB-covered bond purchase programs (~€2 billion) with unlimited liquidity of less than a three-year duration to these central bank support measures.

<sup>10</sup> Routing euro area central bank loans through the IMF general resources also provides governments a better “legal fig-leaf” against political charges of “monetary financing” (voiced by, for instance, the German *Bundesbank*) than if such loans had been used to leverage the EFSF directly.

<sup>11</sup> Available at <http://www.ecb.int/press/key/date/2011/html/sp111201.en.html>.

<sup>12</sup> Available at <http://www.ecb.int/press/pressconf/2011/html/is111208.en.html>.

<sup>13</sup> Available at [http://www.ecb.int/press/pr/date/2011/html/pr111208\\_1.en.html](http://www.ecb.int/press/pr/date/2011/html/pr111208_1.en.html).

# AUSTERIDAD CONTRA EUROPA

*Javier Solanas*

*El autor de este texto, publicado en la sección 'Opinión' del diario español El País el día 1 de febrero de 2012\*, tuvo una brillante trayectoria política en su país natal, España, donde fue ministro de los gobiernos de Felipe González (en varios dicasterios) por un total de trece años. Entre 1995 y 1999, fue Secretario General de la OTAN. Desde entonces y durante diez años –hasta la entrada en vigor del Tratado de Lisboa en noviembre de 2009– fue Alto Representante para la Política Exterior y de Seguridad Común de la Unión Europea. Luego de dejar la Unión Europea, se incorporó a la Escuela de Negocios ESADE como presidente del Centro de Economía Global y Geopolítica. Es sobrino en segundo grado del destacado historiador y diplomático Salvador de Madariaga (1886-1978), uno de los grandes europeistas españoles del siglo XX.*

Resulta cada vez más evidente para todos que el desplome económico que comenzó a finales de 2008 no es un desplome económico cualquiera. Casi cuatro años después del principio de la crisis, las economías desarrolladas no han conseguido todavía iniciar una recuperación sostenible y hasta los países que se encuentran en mejor situación muestran síntomas claros de debilidad. Ante la certeza de que nos enfrentamos a una recesión en “W”, las dificultades que acosan a Europa son sobrecogedoras.

No solo es el hecho de que Europa corra peligro de sufrir daños económicos prolongados, sino que el altísimo paro de larga duración y el malestar popular amenazan con erosionar de forma permanente la cohesión de su tejido social. Y en el aspecto político, existe el riesgo muy real de que los ciudadanos dejen de confiar en las instituciones, tanto nacionales como europeas, y se vean tentados por llamamientos populistas, como en otras épocas anteriores.

Europa debe evitar esa posibilidad como sea. El crecimiento económico debe ser la máxima prioridad, porque el crecimiento es lo único que puede hacer que la gente vuelva a tener trabajo y Europa pueda pagar sus deudas.

Como es lógico, existe un debate abierto sobre cuál es la mejor forma de lograr la recuperación. Los defensores de la austeridad alegan que la deuda tiene repercusiones negativas en el crecimiento, mientras que los partidarios de incrementar los estímulos responden que es el bajo crecimiento lo que genera la deuda pública, no a la inversa, y que las medidas de austeridad, en periodos de recesión, solo sirven para empeorar las cosas.

Ahora bien, no es necesario que los europeos estén de acuerdo en todo para encontrar una vía sobre la que sea posible llegar a un consenso. Podemos discrepar respecto a los efectos a largo plazo de las inyecciones de liquidez, pero podemos estar todos de acuerdo en que no está bien dejar que unas empresas rentables caigan en bancarrota porque los mercados de deuda no están funcionando. No tenemos necesidad de coincidir en materia de política fiscal para comprender que es más sensato fomentar las inversiones que ver cómo languidece nuestra estructura de producción. Y todos sabemos que es más rentable invertir en reeducar a los parados que permitir el desempleo de larga duración.

En cualquier caso, las dudas sobre las repercusiones negativas de las medidas de austeridad están empezando a ser imposibles de ignorar. La historia nos enseña que, en épocas

de recesión profunda, es más peligroso retirar los estímulos económicos demasiado pronto que esperar hasta que ya es demasiado tarde. Un recorte excesivo del gasto público en las circunstancias actuales puede hacernos desembocar en una contracción del crecimiento, que ya está produciéndose: el Fondo Monetario Internacional prevé que la eurozona se contraerá un 0,5% en 2012. Las reformas estructurales son importantes para garantizar el crecimiento sostenible en el futuro, pero no generan crecimiento a corto plazo, que es lo que necesita Europa. Antes al contrario, a cambio de lograr unos mínimos avances en la reducción de la deuda, Europa está en peligro de causar un daño prolongado a sus posibilidades de crecimiento.

En comparación con lo que supone una nueva recesión, el coste a largo plazo de las políticas de estímulo es insignificante. En muchos países, los déficits presupuestarios actuales son consecuencia, no de que unos Gobiernos imprudentes hayan gastado demasiado, sino de las medidas adoptadas con carácter temporal para afrontar la crisis. Dado que los tipos de interés ya son bajos y el sector privado está desapalancándose, existen pocos riesgos de que haya unas políticas expansivas que provoquen inflación o acaben eliminando las inversiones privadas. Por el contrario, las reducciones del gasto pueden disminuir la actividad económica y, en lugar de reducir la carga de la deuda pública, aumentarla.

Además, tampoco hay por qué demonizar la deuda pública. Desde el punto de vista económico, tiene sentido que los Estados compartan el coste de inversiones públicas como los proyectos de infraestructuras y los servicios con las generaciones futuras, que también se beneficiarán de ellas. La deuda es el mecanismo que nos permite institucionalizar la solidaridad inter-generacional. El problema no es la deuda; lo importante es asegurarse de que esa deuda sirve para financiar inversiones productivas, se mantiene en unos límites razonables y se puede pagar sin muchas dificultades.

Sin embargo, resulta alarmante observar que hoy se están empleando, en defensa de la austeridad a toda costa, los mismos argumentos que convirtieron la crisis financiera de 1929 en la Gran Depresión. No podemos permitir que la historia se repita. Los dirigentes políticos deben tomar la iniciativa para evitar una crisis social originada por motivos económicos. Es necesario emprender con urgencia dos actuaciones.

A escala mundial, es preciso trabajar más para abordar los desequilibrios macroeconómicos y crear demanda en los

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países con superávit, entre ellos algunas economías desarrolladas como Alemania. Las economías emergentes que tienen superávit deben entender que una contracción prolongada en los países desarrollados crea un verdadero peligro de crisis mundial en unos momentos en los que ya no tienen el margen de maniobra del que disfrutaban hace cuatro años.

Dentro de la eurozona, hay que emprender reformas estructurales y un gasto público más eficaz, que son fundamentales para recuperar un crecimiento a largo plazo y unos niveles de deuda sostenibles, y hay que combinar todo eso con políticas cuyo objetivo sea sostener la demanda y la recuperación a corto plazo. Las medidas tomadas en este sentido por la canciller alemana, Angela Merkel, y el presidente francés, Nicolas Sarkozy, son positivas pero insuficientes. Lo que necesitamos es un gran pacto que obligue a los países que carecen de credibilidad política a emprender reformas estructurales sin más tardar, a cambio de tener más margen para tomar medidas generadoras de crecimiento dentro de la UE, aunque eso implique tener unos déficits más elevados a corto plazo.

El mundo se encuentra ante unos retos sin precedentes. Nunca antes, en la historia reciente, había coincidido una recesión con unos cambios geopolíticos tan inmensos como los actuales. La tentación de defender ante todo unas prioridades nacionales equivocadas podría llevarnos a un desastre general.

Lo único que puede evitar que acabemos en esa situación es una actuación inteligente por parte de los dirigentes políticos. Los líderes europeos deben comprender que los programas de ajuste tienen un aspecto social además del económico y que serán insostenibles si los afectados se encuentran con la perspectiva de tener que hacer frente a años de sacrificios sin ver ninguna luz al final del túnel.

La austeridad a toda costa es una estrategia errónea, y no servirá de nada. No podemos permitir que una desacertada idea de «disciplina» cause daños permanentes en nuestras economías y se cobre un terrible precio humano en nuestras sociedades. Toda Europa debe ponerse de acuerdo sobre una estrategia de crecimiento a corto plazo y ponerla en práctica cuanto antes.

## UN PLAN DE CRECIMIENTO PARA QUE EUROPA SALGA DE LA CRISIS

*Pascal Lamy*

*En un discurso pronunciado en el prestigioso Instituto Bruegel de Bruselas, el 29 de febrero de 2012, el Director General de la Organización Mundial del Comercio (OMC) presentó un análisis de la actual crisis europea en el marco de los cambios del capitalismo a nivel global\*. Sus recetas para salir de la encrucijada europea parecen retomar la senda de las viejas propuestas del presidente de la Comisión Jacques Delors, de quien Lamy fue jefe de Gabinete durante tres mandatos (1985-1995). Después de un breve intervalo, Lamy regresó a la Comisión, convocado por el presidente Prodi (1999-2004), en calidad de Comisario de Comercio Exterior.*

### Europa en la economía mundial

[...]

Europa no fue el epicentro de la crisis financiera mundial que se desencadenó en 2008. Pero sí fue el continente al que se desplazó la crisis en 2010. Desde entonces, la cuestión de política clave ha sido decidir cómo podría la Unión Europea resolver los problemas con que se enfrenta. ¿Qué políticas públicas deberían aplicar la UE y los gobiernos de sus países miembros, y qué reformas del régimen de gestión económica de la UE facilitarían su adopción?

Querría plantear estos interrogantes en un contexto más amplio: el de las fuerzas que influyen en la economía mundial a través del tiempo. A mi modo de ver, para tener éxito, las reformas que se adopten en Europa no pueden dissociarse de los cambios acelerados que son típicos de la fase actual de la globalización.

### Evolución de la economía mundial a largo plazo

#### *Cambios en las ventajas comparativas*

¿Qué fuerzas están configurando la economía mundial? Una es el avance de las economías emergentes. Se prevé que en las economías desarrolladas, los resultados en materia de expor-

taciones correspondientes a 2011, en comparación con el resto de mundo, no serán tan favorables como se pensaba. Este sería el vigésimo año consecutivo en que las exportaciones de las economías en desarrollo habrían aumentado más rápidamente que las de los países desarrollados. La participación de estos últimos en el comercio mundial disminuyó del 75 por ciento en 1990 al 55 por ciento en 2010.

Los cambios que se han producido en los marcos reglamentarios y en materia de tecnología y costos del transporte han abierto nuevos mercados; han alterado las modalidades del comercio y han obligado a los países a adaptarse. Los cambios en las ventajas comparativas que se observan hoy día en la economía mundial son análogos a los ocurridos en los siglos XIX y XX.

Pero una característica singular de la transformación actual es la celeridad con que están ocurriendo esos cambios, así como el inmenso número de personas afectadas. Actualmente, China y la India representan el 11 por ciento de la economía mundial y, según algunas proyecciones, probablemente su participación se duplicará con creces en 20 años. Las fluctuaciones del poderío económico tienen profundas consecuencias geopolíticas y pueden dar lugar a violentas reacciones en el plano político, crear tensiones en el comercio o tener consecuencias aún peores. A veces la comunidad internacional ha hecho frente a esas presiones por medios pacíficos y con bue-

\*El texto de este discurso se encuentra disponible en el sitio oficial de la OMC; ver [http://www.wto.org/spanish/news\\_s/sppl\\_s/sppl219\\_s.htm](http://www.wto.org/spanish/news_s/sppl_s/sppl219_s.htm).

nos resultados positivos; otras veces no lo ha logrado. Pero los cambios estructurales que se han puesto en marcha difícilmente podrán revertirse en el futuro inmediato.

### **Internacionalización de la producción**

Otra de las fuerzas que están transformando la economía mundial es la fragmentación internacional del proceso de producción; la innovación tecnológica es el factor clave de esa transformación estructural. Gracias a la disminución de los costos de las comunicaciones, las distintas etapas de fabricación y el aprovisionamiento de insumos especializados pueden ocurrir en lugares muy alejados unos de otros. En muchos casos, el proceso de producción cruza múltiples fronteras políticas.

Mientras que en épocas anteriores el comercio internacional consistía en su mayor parte en el intercambio de productos terminados, actualmente –y cada vez con más frecuencia– lo que se comercia a nivel internacional son tareas, es decir, actividades que añaden valor a un producto o a un servicio. El contenido de insumos importados de las exportaciones ha aumentado de un promedio del 20 por ciento hace 20 años a alrededor del 40 por ciento en la actualidad.

La causa de esta fragmentación internacional de la producción son las ventajas comparativas, pero no con respecto a los productos finales sino con respecto a las tareas. Desde el punto de vista de las modalidades convencionales del comercio, el surgimiento de redes internacionales de producción es un hecho positivo. Básicamente, equivale a un gran adelanto tecnológico: crea oportunidades para que las empresas aumenten su productividad redistribuyendo tareas de manera que se puedan realizar en forma más eficiente.

Es necesario que las empresas y los trabajadores se adapten al nuevo entorno para aprovechar esas oportunidades. A este respecto, las políticas públicas son importantes. En primer lugar, las oportunidades son difíciles de encontrar. Las medidas que tomen los gobiernos deberían centrarse en la competitividad de las empresas, es decir, las condiciones que promuevan su participación en los mercados internacionales. En segundo lugar, el ajuste es un proceso que afecta adversamente a muchos; debería ir acompañado de reformas del mercado de trabajo y de programas de educación y capacitación que lo faciliten. Se deberían establecer sistemas de seguridad social para que todos puedan compartir los beneficios que generen esas nuevas oportunidades.

### **¿Cómo está respondiendo Europa a estos cambios?**

Con respecto al lugar que ocupa Europa en la economía mundial, cabe señalar que el panorama es más favorable de lo que parece en general. La participación de la UE en las exportaciones mundiales no ha variado mucho en los últimos 10 años; ha fluctuado por debajo del 20 por ciento. Ese resultado es decididamente mejor que el de otras economías adelantadas como los Estados Unidos y el Japón, cuya participación en el mercado se ha contraído considerablemente. Ello parece indicar que las empresas europeas, o al menos algunas de ellas, están sacando partido de la transformación de la economía mundial.

La producción internacional es un hecho consumado para muchas empresas europeas. El valor total de exporta-

ciones de partes y componentes de la Unión Europea fue de 850.000 millones de dólares en 2010; el 60 por ciento de esa suma correspondió al comercio entre los países miembros de la Unión. Ello pone de relieve la importancia de las redes de producción intraeuropeas.

El comercio de bienes intermedios de la UE con el resto del mundo ha sido notablemente estable, pero han surgido nuevas tendencias interesantes. En lo que respecta a las importaciones, el porcentaje correspondiente a América del Norte se redujo en forma marcada del 29 por ciento al 22 por ciento entre 2000 y 2010. En cambio, las importaciones de la UE de partes y componentes procedentes de China aumentaron más vigorosamente en los últimos 10 años que las importaciones de mercancías en general, con lo cual el porcentaje correspondiente a esos bienes experimentó un brusco aumento (del 13 por ciento al 21 por ciento). Dicho sea de paso, este hecho refuta la trillada teoría de que China importa componentes de gran valor de sus asociados comerciales que son economías más adelantadas y exporta productos terminados de escaso valor añadido; refleja además la rápida evolución de las relaciones comerciales de la UE con China.

Las estadísticas globales del comercio no permiten apreciar importantes variaciones en los resultados comerciales de los países europeos. Evidentemente, algunas de esas diferencias dependen de las peculiaridades de cada país. Pero como señala con acierto Bruegel en su excelente informe sobre las operaciones mundiales de las empresas europeas, son precisamente las empresas las que impulsan la competitividad europea. Su éxito en los mercados internacionales se debe no tanto a las características de cada país sino a sus propias características. El tamaño, la productividad, el nivel de conocimientos especializados de la fuerza de trabajo, la capacidad de innovar, la participación en las redes internacionales de producción y la existencia de redes de distribución eficientes son todos elementos que contribuyen a los resultados de las empresas en materia de exportaciones, en particular en los mercados emergentes.

¿Por qué son importantes esas características? Básicamente, porque permiten a las empresas europeas competir en calidad más que en precio. Los excepcionales resultados de las empresas alemanas en materia de exportaciones, de las que el 29 por ciento vende productos en mercados distantes de China y la India, están basados en los conocimientos de su fuerza laboral y la calidad y la innovación de sus productos (es decir, se deben a la competitividad no relacionada con los precios). Otras características importantes, en particular los niveles de sueldos y la infraestructura reglamentaria más general de los mercados de trabajo de Alemania no son muy distintas de las de otros países europeos como Francia, cuyos resultados en materia de exportaciones no son tan positivos.

### **Europa y la crisis del euro**

A medida que se van produciendo estas lentas transformaciones en la economía mundial, Europa se enfrenta con un desafío más inmediato, que es la crisis del euro. ¿Qué provocó la crisis? Inicialmente se pensó que la causa era la insolvencia de algunos países miembros de la zona de euro. Pero, en último término, era, y sigue siendo, la Unión misma, pues los mercados dudan de que las instituciones europeas existentes cuenten con los instrumentos necesarios para enfrentar la crisis y superarla. Los mercados tienen razón y no la tienen. Tienen



razón en señalar los límites y contradicciones del actual régimen de gobernanza económica de la UE, pero no la tienen al concluir que no se instituirá en Europa un orden duradero como el que se estableció después del Tratado de Westfalia, ni será posible hacerlo.

Muchos han criticado la respuesta de la UE a la crisis. Permítanme, ante todo, destacar lo que sí se ha logrado. En primer lugar, Europa hasta ahora ha podido resistir la peligrosa tentación de invertir la marcha del proceso de integración.

Hay quienes están en favor del desmembramiento de la zona del euro. Opinan que el problema es la moneda única, y la solución, el retorno a los tipos de cambio flexibles. Lo único que se conseguirá de ese modo es exacerbar la crisis en Europa. Como demostró Tommaso Padoa-Schioppa hace casi 30 años, el libre comercio, la libre circulación del capital, los tipos de cambio fijos y las políticas monetarias nacionales autónomas forman un “cuarteto incompatible”. Con el tiempo, el desmembramiento de la zona del euro socavaría el mercado único. Imagínense lo que esto significaría para las empresas europeas que han encontrado en este régimen cuasinacional un entorno que les permite producir, crecer y reforzar su competitividad.

También hay quienes propugnan el restablecimiento del proteccionismo europeo. Según ese argumento, Europa saldrá de la crisis si reorienta la demanda interna hacia la producción nacional, que ha sufrido un retroceso debido a la competencia desleal de sus asociados comerciales. Este razonamiento se basa en una premisa errónea y en falsas esperanzas. La premisa de que las fronteras comerciales de Europa son porosas es evidentemente una falacia, ya que las políticas comerciales de Europa no son muy diferentes de las de sus asociados comerciales con un nivel comparable de desarrollo. Y son falsas las esperanzas de que, en respuesta al proteccionismo europeo, no surjan obstáculos análogos en otras partes. Lo único que se conseguirá con esta estrategia es que las empresas europeas pierdan oportunidades lucrativas en los mercados emergentes en vías de rápida expansión.

Además de resistir esas tentaciones, la UE también ha logrado dejar atrás las medidas iniciales de emergencia ad hoc y pasar a los ajustes estructurales. El “pacto fiscal” firmado a fines de enero tiene muchas limitaciones, pero también muchos elementos dignos de elogio. El marco institucional de la Unión Económica y Monetaria ha tenido defectos desde su creación. Por un lado, los gobiernos miembros no aceptaron la estricta supervisión de sus políticas fiscales por la Comisión Europea. Por otro, faltaban mecanismos capaces de hacer cumplir las reglas en casos de mala conducta fiscal. El tratado representa un paso adelante para reforzar la disciplina fiscal de los miembros de la Unión.

No obstante, algunos críticos opinan que el enfoque actual es demasiado estrecho y en último término va a fracasar. El argumento que esgrimen es contundente: las medidas de austeridad incorporadas en el tratado crearán un círculo vicioso, frenarán el crecimiento y empeorarán la situación fiscal. Cada paquete de medidas de rescate necesariamente irá seguido de otro; se seguirá pensando que las medidas de protección son insuficientes y la zona del euro seguirá dominando la atención de los medios de difusión internacionales. Entre tanto, la incertidumbre debilitará la competitividad de las empresas europeas y aumentarán las privaciones y el resentimiento hacia la UE, en particular en los países afectados. Ello socavaría la confianza en el proyecto europeo.

## Poner fin a la crisis: un plan de crecimiento para Europa

Europa necesita un plan de crecimiento común para salir de la crisis. La finalidad de ese plan debe ser permitir que Europa ocupe el lugar que le corresponde en una economía mundial en evolución. Pero el crecimiento es también indispensable para mantener la solidaridad europea, no solo por razones altruistas sino porque la redistribución es lo que sostiene la unión de los intereses nacionales y los intereses colectivos, que es el elemento primordial del proyecto europeo.

Ello significa ante todo que la UE debería adoptar reformas normativas e institucionales que mejoren la capacidad de las empresas europeas de competir en los mercados mundiales.

Gran parte del debate actual en Europa gira en torno a la necesidad de establecer una unión fiscal dotada de recursos propios, incluso de recursos procedentes de la recaudación de impuestos directos de la UE y la emisión de bonos para financiar proyectos y eurobonos. En Bruegel se ha insistido mucho en esta cuestión, y estoy plenamente de acuerdo con esa posición. El nuevo tratado, que contiene reglas estrictas sobre las políticas fiscales nacionales, creará a la necesidad de aumentar el presupuesto de la UE. ¿Cuáles deberían ser las prioridades de la política fiscal colectiva?

En mi opinión, hay en el presupuesto de la UE tres amplias esferas relacionadas con las condiciones en que se basa la competitividad de las empresas europeas.

- **En primer lugar**, se deberían invertir recursos en una infraestructura común, en particular en el sector de la energía, porque ello influye en gran medida en los costos de fabricación y afecta la competitividad de los precios.
- **En segundo lugar**, se deberían fomentar las actividades de investigación y desarrollo, la educación y la innovación, que son elementos clave de la competitividad no relacionada con los precios.
- **En tercer lugar**, se debería prestar asistencia a los países para que adapten sus estructuras de producción, sus sistemas de seguridad social y sus mercados de trabajo y hagan frente a los nuevos desafíos de la globalización y la internacionalización del proceso de producción. Ello debería hacerse de acuerdo con el modelo europeo, o la gestión social de la economía de mercado (*Sozialmarktwirtschaft*), que ha demostrado claramente que la existencia de sólidos sistemas de protección social contribuye a mejorar la competitividad.

Otra prioridad, aparte de la política fiscal, debería ser la consolidación del mercado interno. Los servicios son indispensables para la buena marcha de los procesos de producción transfronterizos. Las empresas europeas siguen operando en un mercado de servicios fragmentado. Evidentemente, ello los pone en una situación de desventaja frente a sus competidores de los Estados Unidos y, cada vez más, de China, que forman parte de un mercado continental de servicios. En síntesis, lo que Europa necesita es un “Pacto de estabilidad, crecimiento y competitividad”<sup>1</sup>.

Por último, en relación con la reforma institucional de la UE, opino que un plan de crecimiento solo puede ponerse en práctica si la UE tiene una participación efectiva en la formulación de políticas. A este respecto cabe hacer cuatro observaciones.

- **Primero**, se deberían restablecer el método comunitario y la función central de la Comisión. Es improbable que los directorios u otros mecanismos de negociación intergubernamentales respondan adecuadamente a los intereses transnacionales creados por las redes de producción europeas; además esos mecanismos pueden ser manipulados fácilmente a nivel local por intereses especiales. Debemos aceptar un hecho real: la credibilidad de la UE en el mundo está correlacionada directamente con el método comunitario, de manera positiva y negativa.

- **Segundo**, las atribuciones de la UE deberían estar claramente delimitadas pero deberían ser eficaces. La estrategia de crecimiento de la UE, es decir, el Programa de Lisboa, dependía excesivamente del concepto de la Unión y su Comisión como coordinadoras de las políticas nacionales. Debemos reconocer que este modelo político, basado en la cooperación intergubernamental y la presión colectiva –el llamado “método abierto de coordinación”– no ha logrado estimular el crecimiento.

- **Tercero**, el aumento del poder de la UE debería ir acompañado de una mayor legitimidad democrática. En 1998, Notre Europe distribuyó una nota de política con el sugestivo título “De una moneda única a una urna única”. Se podría comenzar por vincular la elección del presidente de la Comisión con los resultados de las elecciones europeas; cada agrupación política propondría un candidato durante la campaña.

- **Cuarto**, las reformas institucionales no pueden esperar. Algunas de esas medidas no requieren la enmienda de

los tratados, y otras sí. Actualmente la Unión Europea tiene una configuración variable. Si no es posible lograr un acuerdo más general, será necesario seguir haciendo progresos en el plano institucional y con ese fin optar por modalidades reforzadas de cooperación, tal como ocurrió en la negociación del nuevo tratado.

## Conclusiones

Para superar la crisis actual, Europa debe reactivar su crecimiento económico y ocupar el lugar que le corresponde en la economía mundial. Para ello se requieren dos reformas complementarias. Primero, la UE debe tener una participación efectiva en la formulación de políticas y contar con recursos fiscales propios. Segundo, las políticas oficiales de la UE deben promover ante todo la competitividad de las empresas europeas en los mercados mundiales. Estos cambios exigen un gran salto adelante en el proceso de integración política, no en un futuro distante sino aquí y ahora.

## Notas

<sup>1</sup> El autor hace una irónica referencia al Tratado de estabilidad, coordinación y gobernanza (el así llamado *fiscal compact*), aprobado por los jefes de estado y gobierno de todos los países miembros de la UE con excepción del Reino Unido y de la República Checa el 2 de marzo de 2012 (NdE).

# BRINGING THE INTEGRATION OF CITIZENS INTO LINE WITH THE INTEGRATION OF STATES

*Jürgen Habermas*

*El prestigioso filósofo alemán ha sido, desde siempre, gran defensor de la idea de la democratización de Europa, a través del acercamiento de sus políticas a los ciudadanos. Partidario de un “patriotismo constitucional” y de la construcción de un demos europeo sobre la base de un pacto republicano en formato moderno, Habermas identifica peligros en términos de democracia respecto de las modalidades de gestión de la actual crisis financiera e indica las vías para resolverlos. El presente artículo se encuentra disponible en la revista online italiana Reset DOC (Dialogues on Civilization) del 15 de marzo de 2012.\**

When it comes to progress in European integration, we must distinguish between two dimensions <sup>1</sup>. The integration of the states raises issues of the distribution of powers between the Union and the member states, thus the increase in power of the European institutions, whereas the integration of the citizens is a matter of the democratization of this increase in power, thus the level of participation of the citizens in European decision-making processes. With the so-called Fiscal Compact approved this week state integration is supposed to be carried

forward (in one part of the Union) for the first time since the introduction of the Parliament without a simultaneous consolidation of citizen integration.<sup>2</sup>

To be sure, the aloof technocratic character of European politics from the beginning is explained by its historical origin. The driving force in the decision-making process up to the present day are the governments and not the peoples; and the citizens, as members of an economic and legal community, were initially private-law subjects. Since 1979,

\* Ver <http://www.resetdoc.org/story/00000021925>. El texto ha sido traducido del alemán por Ciaran Cronin.

however, a European Parliament is involved in lawmaking and its power has even increased continually over the past three decades. As a result, the European economic citizens have become EU citizens, and the economic community has developed into a Political Union – albeit more in the letter than in the spirit. The Parliament operates in an equally aloof manner to the Commission and the Council, because the space of legitimation separating the European citizens from their parliament has not been cultivated, so to speak. This space is not even traversed in European elections because the latter are dominated by national agendas.

Thus there has always been a democratic deficit. But after years of ineffectual political reactions to the sovereign debt crisis triggered by the banking crisis, it must now be asked whether the long-smoldering “legitimation crisis of the Union can still be kept latent when ... the *political* crisis of the euro becomes manifest and the Union has to draw upon the resource of solidarity, which has been kept to a minimum for technocratic reasons, in order to survive.”<sup>3</sup> With this, Hauke Brunkhorst points to the political dimension in which the solution to the financial crisis must ultimately be sought. I would like to defend the thesis that only an effective and broad-based democratic dispute over a common European future could lead to plausible political decisions that would in turn also make an impression on the financial markets and put the speculators who are gambling on sovereign defaults in their place.

The Eurogroup has to make continually new efforts to win the “confidence” of the financial markets only because nobody really believes it. The governments are not demonstrating sufficient resolve to ensure that their shortsighted resolutions are followed by actions. They are acting like harried individuals who are concealing the scope of the agreements reached in Brussels from their national electorates. In order to appear credible to the speculators as well, the heads of government would have to reach an agreement on a more long-term perspective for the future of the European Monetary Union and campaign for this in their national public arenas. But risk-averse power opportunists who plan only for the short term must avoid this step like the plague.

The three or two-and-a-half pro-European parties in the Bundestag would in fact incur heavy costs were they finally to try to reorient the European elite project conducted above the heads of the populations to a noisy and polarizing participation of the citizens. The by now routine lip service paid to Europe is not sufficient to counteract the skepticism stoked up by right-wing populists. The declared intention of the member states to pursue a sensitive harmonization of the country-specific taxation and economic policies at least in the euro zone has for the time being a merely rhetorical character. In order to acquire credibility, a further integration of the states must be supported by an integration of the citizens that is expressed in pro-European majorities. Otherwise politics will not recover its scope for action vis-à-vis rating agencies, big banks, and hedge funds. The route of politicizing the controversial topic is certainly not without risk; but if anything is risky it is the poker game that Angela Merkel is playing with the financial markets.

In my opinion, the German federal government, after long hesitation, is doing some things right, but a lot of things

wrong, in European policy. “More Europe” is the correct answer to a crisis which has brought to light a construction flaw of the European Monetary Union. The political decision-making capability required to offset the economic imbalances that have arisen in the euro zone is lacking<sup>4</sup>. The necessary convergence among the national economic developments that are drifting apart can be brought about in the longer term only by cooperation within the framework of a democratically organized community of joint liability in which certain forms of redistribution across national borders are also accepted as legitimate. The Fiscal Compact represents a first step in this direction<sup>5</sup>. As the official name of this “Treaty on Stability, Coordination and Governance” suggests, it comprises two parts. It commits the governments, on the one hand, to maintaining national budgetary discipline, and, on the other, to establishing an institutionalized regime of economic policy governance aimed at overcoming the growing economic imbalances (at least in the euro zone).

But why is Angela Merkel only acclaiming the first part, the more or less accomplished sanctioning of breaches of budgetary discipline, while remaining silent in public on the coordination of economic policy? Even if the announcement of debt brakes and deficit procedures were unexpectedly to calm the markets in the short term, the crises will recur in the long term as long as the construction flaw of the monetary union has not been repaired. In one and the same currency area, the export surplus and low unit labor costs of the one country are systemically interconnected with the import surplus and high unit labor costs of the other. In order to bring the different levels of competitiveness into line with each other, it is not enough that all of the governments should abide by the same rules. Although the German Federal Government claims to be committed to further integration, it is contributing to protracting the crisis. I would like to offer four observations on this.

One need not even take a stance on the economic policy dispute over whether the national budget deficits would be better overcome through cuts or by printing money in order to recognize, first, that the one-sided austerity policy being pushed through in the EU by the German government is driving the crisis-plagued countries into deflation. If this course is not supplemented through growth-promoting economic stimulus packages, the “social peace” in these societies, which are now under economic supervision, will soon be disrupted by more than just orderly protests by labor unions.

Second, the austerity policy is guided by the misleading idea that everything will be well if only the member states adhere to the rules of the Stability and Growth Pact. This explains Merkel’s peculiar fixation on penalties. The hand-waving with sanctions will become superfluous once we integrate a form of joint economic governance into the ordinary legislative procedure of the Union Treaties. Doubtlessly in the background is still lurking the notion that the correct economic constitution –hence “rules”– would enable us to dispense with a coordinated economic policy and to spare the costs otherwise generated by the democratic legitimation of decisions with redistributive implications.

Third, what Merkel and Sarkozy envisage is in essence an intergovernmental form of cooperation, that is, a politically inconspicuous step toward further integration of the states, not of the citizens. The heads of state of the seventeen euro countries assembled in the European Council

are supposed to remain firmly in control. In pursuing this course, however, they would be equipped with competences of economic governance that annul the budgetary prerogative of the national parliaments. We would then have to reckon with a post-democratic empowerment of the executive on an unprecedented scale. The unavoidable protest of the parliaments stripped of their powers will at least reveal the gap in legitimation that can be closed only through democratic reform of the interplay among the EU bodies.<sup>6</sup>

Fourth, “no solidarity without solidity” has become the trademark of a policy that arouses suspicion of German economic nationalism in the neighboring countries. The proposal launched from Berlin to appoint an austerity commissioner for Athens, where three high-level German officials are in any case already exercising similar monitoring functions, testifies to an incredible insensitivity toward a country whose citizens have not forgotten the atrocities of the Wehrmacht and the SS. In a passionate speech, Helmut Schmidt has lamented that the present government is heedlessly squandering the capital of trust that German governments cautiously accumulated in the neighboring countries over more than half a century.

The overall impression of blundering arrogance and hesitant concessions to extortionate financial markets reflects the condition of a European policy that has not yet become a domestic policy. Time and again, the party leader Angela Merkel seems to admonish the chancellor Angela Merkel to put European integration on the back burner out of consideration for the reservations of her Eurosceptic voters. How could the public discussion in the other member states assume a more welcome form than here in Germany as long as the Europe-friendliness of the country that currently sets the tone is exhausted in the exclamation “Let me have my cake and eat it too”?

Neither can this cautious posture be justified with the familiar arguments that all integration efforts are ultimately condemned to failure by the lack of a European people or the lack of a European public. Concepts such as nation or *Volk* evoke images of homogeneous macrosubjects. These notions seized the imagination of the masses only during the nineteenth century, specifically in the form channeled through public education and the mass media. However, this world of ideas bred by the national historiographies did not survive the catastrophes of the twentieth century unscathed. What we have to reckon with in Europe today are not imaginary peoples but concrete nation-states, linguistic diversity, and national publics.

The nation-states also retain their place in a European Union that is moving closer together. They should by no means be absorbed into a European federal state but remain the guarantors of the level of democratic freedom that we have been fortunate enough to attain in Europe.<sup>7</sup> But each of us combined in his or her person the role of a national citizen with the role of a citizen of the European Union. The more aware the EU citizens become of how profoundly the European decisions impinge upon their lives, the greater their interest becomes in influencing a European policy that if necessary also redistributes costs.

What have been missing until now are national public spheres in which discussion and will-formation on European topics can be conducted. Different media are not required for this, only a different practice on the part of the existing media. The latter have to lend currency not only to European themes but also to the controversies over these themes in the other member states. The European public sphere is nothing other than the sum of the national public spheres that become responsive to each other in this way. This also settles the problem of linguistic diversity; it is the media that automatically perform the translation.

The editorial departments are still dominated by thinking in terms of the nation state. In Germany, the press more or less shares the cheap and noncommittal Europe-friendliness of the temporizing and maneuvering Chancellor. But, if anything, a perception of world society structured by the nation state cannot avoid the problem that a Europe of small states with a shrinking population is being marginalized in the concert of such “born” world powers as the United States, China, Russia, Brazil, and India, and soon will not be able to exercise any influence over problems that can only be solved at the global level.

It is said that the Weimar democracy was undone by the lack of democrats. With the European Union be undone by a surfeit of lukewarm Europeans?

## Notas

<sup>1</sup> G. Lübke-Wolff, “Staatenintegration und Bürgerintegration,” in R. Schulze and C. Walter (eds), *50 Jahre Römische Verträge* (Tübingen: Mohr & Siebeck, 2008), pp. 37-42.

<sup>2</sup> This circumstance is not a consequence of the dissent of Great Britain, which requires that the political objective be realized in the legal form of an international treaty, but of the political intention itself as defined by the German Federal Government.

<sup>3</sup> H. Brunkhorst, “Solidarität in der Krise: Ist Europa am Ende?”, *Leviathan* 39 (2011): 459-77.

<sup>4</sup> H. Enderlein, *Nationale Wirtschaftspolitik in der europäischen Währungsunion* (Frankfurt am Main: Campus, 2004); “Die Krise im Euro-Raum”, *Aus Politik und Zeitgeschichte* 43 (2010): 7-12.

<sup>5</sup> In the resolution of European Parliament of 28 September, 2011, these goals are specified with a view to a “robust framework for preventing and correcting macroeconomic imbalances, minimum requirements for national budgetary frameworks, and enhanced financial market regulation and supervision.”

<sup>6</sup> At any rate, the “economic dialogue” foreseen by the permissive clause in paragraph 2 h of the aforementioned resolution of the European Parliament of 28 September, 2011 is not sufficient to close this gap.

<sup>7</sup> See my argument for a form of sovereignty that is “shared” between national and EU citizens in Habermas, *The Crisis of the European Union*, trans. Ciaran Cronin (Cambridge: polity, 2012).

# HACIA UN SALTO FEDERAL EN EUROPA

*Enrique Barón Crespo*

*El autor de este texto, publicado en la sección 'Opinión' del diario español El País, el 9 de abril de 2012, es un veterano del trabajo parlamentario a nivel europeo. Fue diputado del Parlamento Europeo por el Partido Socialista Obrero desde el ingreso de su país en las Comunidades Europeas (1986) hasta el 2009, ejerciendo el cargo de presidente entre 1989 y 1992. Ha sido también representante de dicho Parlamento en la Conferencia Inter-gubernamental del Tratado de Lisboa. Actualmente se desempeña como profesor invitado en distintas universidades, tanto europeas como americanas.*

El pasado Consejo Europeo aprobó el Tratado de Estabilidad, Coordinación y Gobernanza en la Unión Económica y Monetaria. Lo firmaron 25 de los 27 Estados miembros. De cara a la opinión pública española, el hecho quedó oscurecido por la aguerrida declaración del presidente Rajoy en Bruselas. Antes de que se secara la tinta de su firma, anunció una cifra de déficit que suponía enmendar lo escrito en función de una decisión "soberana", no explicada hasta entonces. Con una pintoresca justificación: "Ni pacto ni dejo de pactar", cuando a lo que se va a Bruselas es a pactar. La prueba es que dicha cifra ya ha sido modificada y lo será más en función de las reglas de coordinación y gobernanza existentes. De momento, el desplante nos ha costado 5.000 millones de euros, por lo que habría que ser prudentes a la hora de cantar victoria y no pretender resolver estas cuestiones echando órdagos de farol.

En realidad, el nuevo Tratado, pacto fiscal en los idiomas latinos y *compact* en su expresión inglesa –un tanto exagerada si se traduce literalmente–, actualiza y amplía reglas existentes desde Maastricht. Tiene el valor de suponer un propósito de la enmienda de los dos países que más contribuyeron a hacer saltar el anterior Tratado de estabilidad: Alemania y Francia. A la vez, tiene el defecto congénito de no ser un Tratado comunitario al no haber sido firmado por Gran Bretaña ni por la República Checa.

Por eso, la negociación del pacto fiscal ha consistido en esencia en tratar de hacerlo compatible con el marco existente. Una situación parecida a la del viajero que se encuentra con que el enchufe de su ordenador no es compatible en otro país. Es posible resolver el problema con voluntad política y técnica adecuada, y en eso ha consistido la negociación entre bastidores desde diciembre entre los Gobiernos, la Comisión y un activo Parlamento Europeo.

Los principales cambios que pueden permitir que el pacto fiscal pueda funcionar son los siguientes:

- Incluir en el artículo 1º una clara referencia a los objetivos de crecimiento sostenible, empleo, competitividad y cohesión social.
- La coherencia con el método comunitario. El nuevo Tratado será de aplicación "en la medida en que sea compatible con los Tratados y la Ley comunitaria" (art. 2). El método comunitario se salvaguarda al preservar los derechos de la Comisión y el Parlamento en el desarrollo de los mecanismos a través de la legislación secundaria.

- En los artículos 3º y 4º se han integrado las normas ya vigentes, adoptadas en el denominado *paquete de 6* aprobado el pasado otoño.
- Se prevé un recurso al Tribunal de Justicia en caso de incumplimiento, que dará abundante trabajo a los jurisconsultos.
- El Eurogrupo se configura cada vez más como una cooperación reforzada estable y se añade un nuevo artículo para que los Estados que han ratificado el pacto y no están en el euro puedan participar en cumbres sobre implementación del Tratado y mejora de la gobernanza como solución de compromiso para los próximos años.
- El pacto fiscal se debe integrar en el marco de los Tratados en el plazo de cinco años.

La pregunta que se plantea es si para este viaje se necesitaban esas alforjas. Ciertamente, las modificaciones son decisivas para que el pacto fiscal pueda funcionar. Pero la más importante es, sin duda, su entrada en vigor el próximo 1 de enero si 12 Estados de la zona euro lo han ratificado. Eso significa el fin de la unanimidad, es decir, del veto que ha convertido la ratificación de los Tratados en una ruleta rusa al albur de lo que decida el más reticente o remolón.

De hecho, equivale al paso que se dio en el debate de la Constitución de Estados Unidos tras la Convención de Filadelfia. Allí también se planteó su entrada su vigor si dos tercios de los Estados la ratificaban, proporción similar a la requerida ahora. La batalla la ganó *El Federalista*, la serie de artículos que Publius publicó en el Estado de Nueva York. Su autor principal fue Alexander Hamilton, nombrado secretario del Tesoro por Washington tras ser elegido Presidente. Con decisión puso en pie el sistema fiscal, asumió las deudas de guerra de las ex colonias, emitió bonos federales con interés más bajo y creó el dólar, el primer Banco federal y la Ceca.

En la Federación a medio hacer en Europa, hay voces como el ministro Schäuble que proponen el salto federal. Parece haber convencido a la canciller Merkel. Incluso el presidente Sarkozy menciona la palabra tabú, a la vez que entra en campaña proponiendo dismantelar Schengen. El Consejo de Sabios alemán, citando a Hamilton, ha propuesto la mutualización de la deuda por encima del 60% en un fondo de amortización con condiciones. La Comisión está trabajando en la propuesta de eurobonos, así como el Parlamento Europeo. Algunos proponemos desde hace tiempo este instrumento como forma de cooperación reforzada y arma solidaria. Su creación permitiría que el pacto fiscal sea de verdad compacto.

# A MODEST PROPOSAL FOR RINGFENCING EUROPE

*Yanis Varoufakis*

*Este texto es una síntesis de una propuesta escrita a cuatros manos y muchas veces re-elaborada a partir de noviembre de 2010 por el autor, junto con Stuart Holland, bajo el nombre de "A modest proposal for overcoming the euro crises" –su última versión se encuentra en el blog de Varoufakis\*. El autor es economista y fue profesor, entre otras, en las universidades de Essex, East Anglia, Cambridge y Sydney, antes de regresar en su tierra natal, Grecia, en 2000, para enseñar economía en la Universidad de Atenas. Es un buen representante de la generación de los bloggers, con cierta teatralidad en su estilo y una mirada muy crítica de las teorías económicas que sustentan las recetas clásicas para salir de la crisis.*

Europe's strategy for dealing with the Euro Crisis has been to ringfence, at first Greece, then Ireland, then Portugal, then Greece again, nowadays Spain etc. Unfortunately, a deep seated crisis, raging simultaneously in the realms of *public debt, under-investment & internal imbalances* and *banking*, makes it impossible for such ringfencing to succeed. Put simply, either Europe as a whole must be ringfenced or the Eurozone will continue along a path that has already led it to an advanced stage of disintegration.

How should such ringfencing proceed? Currently, Europe is caught in a savage dilemma between the present policy of bailouts-with-austerity, which no one seriously expects to work, and the idea of resolving the Crisis through federal moves, e.g. a transfer union, jointly and severally guaranteed Eurobonds, that Europe is not ready for and which would, in any case, be outpaced by the galloping Crisis.

Thankfully, this is a false dilemma. There are three policies that would swiftly ringfence Europe without debt monetisation by the ECB, without a Federal Treasury, without having the surplus countries guaranteeing the debt of the periphery, without further loss of sovereignty, without Treaty changes, and with only a rational re-assignment of Europe's existing institutions:

## **Policy 1: Dealing with the Debt Crisis**

The ECB announces its *Debt Conversion Program* for any member-state that chooses to participate: it will service a portion of every maturing government bond corresponding to the member-state's Maastricht-compliant public debt (MCD hereafter).

To fund these redemptions, the ECB will issue its own bonds in its own name, guaranteed solely by the ECB but repaid, in full, by the member-states. With this set-up member-states will enjoy large-scale interest rate reductions while the ECB can terminate both its government bond purchasing program and the Long-Term Refinancing Operation (LTRO). Instead of monetising debt, the ECB will have played the role of a go-between member states and money markets, insured by the ESM-EFSF. Additionally, the ECB-bond issues will help create a large liquid market for European paper that advances the euro's reserve currency status.

## **Policy 2: Redressing low aggregate investment and internal imbalances**

Europe is in urgent need of (a) higher aggregate investment and (b) investment flows that ameliorate its internal *imbalance of payments*. Both can be achieved through an *Investment and Internal Imbalances Amelioration Program* involving the

European Investment Bank (EIB), the European Investment Fund (EIF) and the ECB: the EIB will focus on infrastructural projects, the EIF on start-ups and SMEs and the ECB will be a funding partner *via* its ECB-bond program.

The *Program's* first task will be to untie the EIB-EIF's hands to invest more by allowing for the national contribution to projects to be funded by a net-issue of ECB-bonds rather than through national borrowing. Upon completion of such projects, resulting from the EIB-EIF-ECB collaboration, all net revenues are to be repaid directly 50% to the EIB-EIF and 50% to the ECB.

Concerning the second task, dealing with the Eurozone's internal *imbalance of payments* crisis, the distribution of investments among the Eurozone's regions (as opposed to member-states) may be calibrated, by means of a pre-agreed formula, in proportion to each region's balance of payments deficit within the Eurozone.

## **Policy 3: Dealing with the banking crisis**

The Eurozone must be turned into a single banking area with a single authority that supervises directly and recapitalises the area's banks. To this purpose, existing national boundaries are to be dismantled, together with national supervisory authorities. The currently confederate European Banking Authority (EBA) is to be re-configured as a unitary agency with a board comprising officials drawn from member-states, plus representatives from the ECB and the ESM-EFSF.

With the ESM-EFSF now relieved of its task to fund the public debt of insolvent member-states, the largest share of its capital is to be used for the purposes of direct bank recapitalisations. These capital injections shall flow directly from the ESM-EFSF, under the supervision of the EBA and the ECB, to the banks but without mediation from the national governments and without these capital injections counting as part of national debt. In exchange, equity in the recapitalised banks is passed on to the ESM-EFSF which is then re-sold to the private sector when the EBA and ECB judge that banks have been sufficiently recapitalised.

Three policies to address three crises is all what it takes, each involving existing institutions and requiring no Treaty changes. In their totality, the three programs sketched above constitute nothing less than a *New Deal for Europe*, shifting idle savings into productive investments, dealing with the debt crisis, addressing the banking malaise and ameliorating the Eurozone's crippling internal imbalance of payments.

\* Ver <http://varoufakis.files.wordpress.com/2010/11/modest-proposal-3-0-may-2012.pdf>, marzo de 2011.

# ES LA HORA DEL CAMBIO EN EUROPA

*Martin Schulz*

*El actual presidente del Parlamento Europeo, en un acto poco ritual, se dirigió directamente a los ciudadanos europeos (y de todo el mundo) a través de una nota de opinión publicada en el diario español El País en la víspera del día de Europa, el 8 de mayo de 2012. Perteneciente al partido socialdemócrata alemán desde una edad muy temprana, fue líder de la Alianza Progresista de Socialistas y Demócratas en el Parlamento Europeo, del cual fue nombrado presidente en enero de este año. De formación librero, trabajó en varias editoriales y, dando prueba de un coraje y pasión poco comunes en estos tiempos de poca lectura, abrió en los años '80 su propia librería, que prosperó en Würselen (Alemania) por más de una década.*

Pocas veces ha sido tan amplio en todo el continente el eco de unas elecciones, como es el caso ahora con las elecciones presidenciales francesas. Pocas veces un cambio de liderazgo en uno de los Estados miembros de la UE ha creado expectativas de un verdadero cambio político. Es curioso ver cómo surgen de la crisis un nuevo *demos* europeo y un nuevo ámbito público. Los europeos son cada vez más conscientes de hasta qué punto son interdependientes. Bastan los desaciertos en un solo país para poner en peligro al conjunto de la economía europea, pero solo con el esfuerzo común de muchos Estados se pueden dar soluciones.

La victoria de François Hollande brinda una nueva oportunidad a la Unión Europea. Como ha dicho el nuevo presidente de la República francesa, en su discurso de la Bastilla, “somos un movimiento que se está levantando en toda Europa”. El fin del directorio *Merkozy* debería enterrar el “solo austeridad”, que está arruinando a las economías europeas y dividiendo a los países. Los principios políticos del nuevo presidente francés no deben alarmar a nadie, tampoco a los mercados financieros. Más bien debería ser lo contrario.

Los planes de Hollande para una iniciativa de crecimiento caen en tierra fértil, especialmente en el Parlamento Europeo, que ha reivindicado reiteradamente tales medidas. Me complace constatar que este mensaje está calando cada vez más en el discurso político. La Comisión Europea está elaborando un “pacto para el crecimiento” que los líderes de la Unión Europea debatirán en junio. En efecto, Europa necesita un plan para el crecimiento que ponga término al declive económico, al aumento del desempleo y al debilitamiento del sistema bancario.

Este pacto para el crecimiento puede ser financiado adecuadamente, ya sea mediante nuevas fuentes de ingresos, como el impuesto sobre las transacciones financieras, los bonos-proyecto destinados a inversiones en infraestructuras, o bien poniendo freno a la evasión y al fraude fiscal, eliminando los paraísos fiscales, así como mediante un uso más eficaz e inteligente de los fondos estructurales.

Un nuevo plan de crecimiento no significa imprimir dinero. La disciplina fiscal sigue siendo esencial, como lo son profundas reformas estructurales. Una regulación más estricta debe desalentar la avaricia colectiva y eliminar los productos financieros irresponsables.

¿Qué hay que hacer? En primer lugar, se ha de dar prioridad a las inversiones con fines específicos. El Banco Europeo de Inversiones (BEI) es un buen vehículo para aumentar el gasto en grandes proyectos de infraestructura, por ejemplo en materia energética. Se puede dotar al BEI de muchos más recursos para impulsar sus programas de préstamo. La financiación de la inversión puede también provenir de los nuevos bonos-proyecto. A más largo plazo, se debería replantear la idea de los eurobonos.

Es fundamental encauzar los fondos estructurales de la UE hacia la investigación, porque el gasto en investigación y

desarrollo es alarmantemente bajo en comparación con el de nuestros socios internacionales. La reforma de la Política Agrícola Común (PAC) no debe ser tampoco un tabú. No asegura la sostenibilidad de la agricultura ni tampoco rentas decentes para todos los agricultores. Sin duda alguna, nos esperan negociaciones muy duras, entre otros, también con el nuevo presidente francés.

En segundo lugar, como lo ha repetido Hollande, la situación de los jóvenes debe constituir una prioridad absoluta. La tasa de desempleo en la zona euro se ha situado en un 10,9 %, su nivel más alto desde la introducción de la moneda común. En España, la tasa de desempleo juvenil ha sobrepasado el 50 %, y en otros muchos países los jóvenes están pagando un precio desproporcionadamente alto por la recesión. Nos arriesgamos a forjar una generación perdida, lo que podría destruir el tejido social de Europa y su estabilidad. Los jóvenes no son responsables de la crisis, pero tendrán que cargar con todo su peso. El dinero que se invierte en financiar la formación profesional, mejorar las posibilidades de educación y, lo que es aún más decisivo, ofrecer incentivos a los empresarios para que empleen a jóvenes, será una inversión de futuro.

El Banco Central Europeo (BCE) ha ofrecido préstamos a los bancos, a un tipo de interés favorable. Este dinero debería prestarse, a su vez, a las pequeñas y medianas empresas, que representan la savia misma de la economía de Europa. La UE necesita también iniciativas comunes encaminadas a erradicar la evasión fiscal y los paraísos fiscales y que sustituyan a los acuerdos bilaterales fragmentarios. El fraude fiscal es un delito que socava los cimientos de una sociedad justa.

En tercer lugar, los Estados miembros no deberían recortar el presupuesto de la UE de forma indiscriminada durante las negociaciones sobre las perspectivas financieras para el período 2014-2020, en aras de unos beneficios a corto plazo mal entendidos y populistas. Si pretendemos tomarnos en serio el plan para el crecimiento, tendremos que poner los medios necesarios para llevarlo a cabo. El presupuesto de la UE es un vehículo para la inversión que impulsa el crecimiento económico y crea empleo; financia redes de transporte y energía de crucial importancia; fomenta la innovación, la investigación y el desarrollo. El presupuesto de la UE actúa como palanca que reactiva la inversión y hace posibles las economías de escala, y todo ello sin poder ser deficitario.

Europa todavía puede salir fortalecida de las actuales adversidades económicas. El euro es un proyecto que aspira a unir a los pueblos de Europa. El egoísmo de algunos Estados miembros, la incompetencia de algunos dirigentes y las torpezas de comunicación están convirtiendo el euro en un símbolo de la división. Necesitamos solidaridad, responsabilidad, imaginación, capacidad de liderazgo y, por encima de todo, unidad. Seamos optimistas, no es demasiado tarde. Europa está, por fin, cambiando de rumbo.

# IL FEDERALISMO CHE PUÒ SALVARE L'EUROPA

*Giuliano Amato, Jacques Attali, Enrique Barón Crespo et al.*

*El 9 de mayo, en concordancia con el día de Europa, algunos diarios europeos –entre ellos Le Monde, la Repubblica y el Berliner Tageszeitung– publicaron un manifiesto en favor del federalismo, co-firmado por eminentes personalidades de muchos países europeos, entre ellos Bélgica, España, Francia, Italia, República Federal Alemana y Grecia. Entre sus signatarios se encuentran Giuliano Amato, Jacques Attali, Enrique Barón Crespo, Emma Bonino, Rocco Cangelosi, Jean-Marie Cavada, Fabien Chevalier, Daniel Cohn-Bendit, Stefan Collignon, Catherine Colonna, Pier Virgilio Dastoli, Monica Frassoni, Evelyne Gebhardt, Pauline Gessant, Sandro Gozi, Ulrike Guerot, Guillaume Klossa, Pascal Lamy, Philippe Laurette, Jo Leinen, Anne Marie Lizin, Alberto Majocchi, Pascual Maragall, Philippe Maystadt, Yves Mény, Haris Pamboukis, Romano Prodi, Alberto Quadrio Curzio, Barbara Spinelli, Francisca Sauquillo, Anna Terrón, Jacques Ziller. Los autores de la propuesta han creado un sitio web, apoyado por varias agrupaciones federalistas europeas, para difundir el documento e incentivar su firma por parte de los ciudadanos europeos: <http://www.eurofederation.eu/it>.*

Una grave crisi politica e sociale travolgerà i paesi dell'Euro se essi non decideranno di rafforzare la loro integrazione. La crisi della zona Euro non è iniziata con la crisi greca ma è esplosa molto prima, quando è stata creata un'unione monetaria senza unione economica e fiscale nel contesto di un settore finanziario drogato da debiti e speculazione.

Certo, i debiti pubblici sono esplosi in questi ultimi trent'anni ma sono gli squilibri fra i paesi della zona Euro che hanno determinato la situazione attuale. Da una parte, un insieme costituito dai paesi del Nord Europa con la Germania in testa ha costruito la sua economia sulla competitività e le esportazioni. D'altra parte, i paesi della periferia hanno utilizzato deboli tassi di interesse per alimentare la loro domanda interna e costruito la loro economia su settori di beni non esportabili o meno sottoposti alla concorrenza esterna come il settore immobiliare.

L'esplosione della crisi greca ha messo in luce questi difetti strutturali, creando una crisi di fiducia nella sostenibilità dei debiti pubblici: i creditori hanno scoperto l'insostenibilità degli squilibri nella zona Euro. I tassi di interesse sono schizzati in alto fino a creare un effetto-valanga: quando i tassi di interesse sono superiori alla crescita del Pil, il debito si autoalimenta a meno che non si riescano a realizzare surplus di bilancio importanti. Per realizzare questi surplus, ogni paese è stato costretto ad adottare piani drastici di salvataggio e l'intervento della Bce ha concesso loro solo qualche mese di respiro.

La mancanza di coordinamento ed i piani di salvataggio adottati volta per volta non permettono di rendere compatibili il rigore finanziario e la crescita economica. Peggio ancora i tagli alle spese, cercando di realizzare dei guadagni immediati, colpiscono soprattutto le spese sociali e gli investimenti, condizionando negativamente il futuro. Questo clima di incertezza frena la domanda e le famiglie preferiscono risparmiare in previsione di future tasse.

Contemporaneamente, le banche limitano i crediti al settore privato per risanare i loro bilanci. Cosicché il rilancio non può venire né dalla domanda né dagli investimenti privati né dagli appalti pubblici. I paesi più indebitati sono dunque destinati ad una crescita molto debole o peggio alla recessione, il che aggrava il peso dei loro debiti. Se lo scenario attuale si perpetuerà nel tempo, l'Euro non potrà più disporre dei mezzi per resistere alle tendenze centrifughe ed

alla crescita dei populismi.

La fine dell'Euro sarà allora solo questione di tempo. L'Unione europea non potrà uscire da questa crisi senza un cambio di paradigma. Un'altra via di uscita è possibile. Essa consiste nel correggere gli squilibri dell'Unione economica e monetaria superando le insufficienze del trattato di Lisbona per andare al di là del coordinamento fra Stati membri. Essa consiste nel denunciare, ridurre e progressivamente annullare i costi della non-Europa.

Per giungere a questi risultati occorre rilanciare la produttività attraverso riforme strutturali in particolare nel settore dei servizi ed investimenti in progetti generatori di crescita. Essi esistono già: nella trasmissione di energia e nell'efficienza energetica, nei trasporti puliti e nelle politiche urbane, nell'aeronautica e nella ricerca... gli industriali dispongono di progetti su scala europea per i quali è necessario il concorso finanziario di tutti i paesi.

Per questa ragione è urgente creare dei *project bonds*, cioè del debito buono, finanziando esclusivamente progetti generatori di futuri redditi. La Bei potrà senza difficoltà assumere a proprio carico questi progetti sulla base di proposte della Commissione europea. Occorre circoscrivere poi i debiti del passato mutualizzandone una parte, come proposto dal Consiglio degli esperti tedeschi<sup>1</sup> o dall'Istituto Bruegel. Tale misura diminuirà i tassi di interesse e darà ai paesi indebitati nuovi margini di manovra.

All'interno di questa logica occorrerà rafforzare la cooperazione fra la Commissione e i ministeri del Tesoro nazionali nel quadro di un'autorità fiscale europea e nella prospettiva di creare un Tesoro europeo utilizzando il metodo applicato alla BCE che fu preceduta dall'Istituto Monetario Europeo. Si tratta di una nuova tappa verso la creazione di un governo dell'economia europea con percentuale dell'Iva, una *carbon tax* e una tassa sulle transazioni finanziarie. Sarà allora possibile generare con i *project bonds* più di 1000 miliardi di Euro per investire in progetti di avvenire, rilanciare una vera crescita, proporre una visione convincente dell'Europa e creare i meccanismi per la soluzione degli squilibri che sono all'origine dell'Unione economica e monetaria.

Nessuna imposta potrà essere tuttavia decisa senza legittimità democratica e senza risolvere la crisi di fiducia fra l'Unione europea e i suoi cittadini, offrendo agli Europei una



nuova prospettiva. L'Euro non potrà sopravvivere senza un progresso politico democratico decisivo.

Noi chiediamo che i deputati europei della zona Euro si riuniscano immediatamente - aperti alla partecipazione di altri deputati europei che lo vorranno - per precisare il cammino che dovrà essere intrapreso da oggi alle elezioni europee nel 2014. Sulla base delle proposte che saranno elaborate, noi chiediamo ai deputati europei di promuovere l'organizzazione di assise interparlamentari sull'avvenire dell'Europa a partire dalla zona Euro, che accoglieranno delegazioni del Pe e dei parlamenti nazionali come era stato proposto da François Mitterrand davanti al Parlamento europeo alla vigilia della caduta del Muro di Berlino.

Questo federalismo di necessità darà vita ad una vera Europa politica e sociale, le cui istituzioni garantiranno un giusto equilibrio fra politiche monetarie e di bilancio,

lo stimolo dell'attività economica, le riforme strutturali della competitività e la coesione sociale rafforzata. La sopravvivenza dell'Euro passa attraverso un governo economico europeo ed un bilancio europeo di crescita. Solo il federalismo sarà capace di evitare il fallimento dell'Euro e le sue conseguenze disastrose sulla vita di tutta l'Unione europea. Esso aprirà agli Europei la via verso un'Europa giusta, solidale e democratica in grado di garantire il suo spazio centrale nel mondo.

#### **Nota**

<sup>1</sup> Ver el documento del Consejo Alemán de Expertos Económicos reproducido al comienzo de la presente sección (Nota del Coordinador Editorial).