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Enlightening the Debate on Good Governance

Transforming Sovereignty

TOMMASO PADOA-SCHIOPPA



European Essay No.28

A Definition of Federalism

Federalism is defined as 'a system of government in which central and regional authorities are linked in an interdependent political relationship, in which powers and functions are distributed to achieve a substantial degree of autonomy and integrity in the regional units. In theory, a federal system seeks to maintain a balance such that neither level of government becomes sufficiently dominant to dictate the decision of the other, unlike in a unitary system, in which the central authorities hold primacy to the extent even of redesigning or abolishing regional and local units of government at will.'

(*New Fontana Dictionary of Modern Thought*)

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Tommaso Padoa-Schioppa is the author of numerous publications on economic and monetary aspects of European integration. His main publications are *Money, Economic Policy and Europe*, The European Perspectives Series, Commission of the European Communities, Brussels, 1985; *Efficiency, Stability, and Equity: a Strategy for the Evolution of the Economic System of the European Community* (coauthored), Oxford University Press, London, 1987; *La moneta e il sistema dei pagamenti*, Il Mulino, Bologna, 1992; *The Road to Monetary Union in Europe: the Emperor, the Kings, and the Genies*, Oxford University Press, Oxford, 1994, 2000; *Europe: the impossible status quo*, Macmillan, London, 1997; *Il Governo dell'Economia*, Il Mulino, Bologna, 1997; *Italy: Resilient and Vulnerable* (Daedalus special issue, 2001, edited with Stephen Graubard); *Europa Forza Gentile*, Il Mulino, Bologna, 2001; *Dodici Settembre: il mondo non è al punto zero*, Rizzoli, Milano, 2002.



Foreword

When Britain joins the euro, the British Prime Minister and Chancellor of Exchequer will need to decide who will represent the United Kingdom at the European Central Bank. The twin tenants of Downing Street at the time will be lucky indeed if they can find a British representative as qualified and prestigious as Tommaso Padoa-Schioppa. Not merely is he a Central Banker of imposing technical and financial qualifications. He is also, as the following essay shows, an acute and elegant commentator on contemporary European political developments, and on the wider political philosophy sustaining these developments.


Tommaso Padoa-Schioppa is a self-avowed federalist, a fact which in such a prominent public figure should alone be enough to ensure a sympathetic hearing from those associated with the Federal Trust. But his ideas, of which the following pages can only give a small sample, have an interest and resonance well beyond those already predisposed by this shared background to listen and learn from him. Like few of his contemporaries, Tommaso Pados-Schioppa is able to combine broad and generous commitment to European integration with a hard-edged economic and political analysis, derived from and tested by long personal experience.

This European Essay is based on a lecture given to the David Hume Institute in Edinburgh in 2000. Its arguments and insights go to the heart of the current British debate on our country's role in the European Union. Particularly striking is the writer's claim that the European Union, far from being the grave-digger of the nation state, is in fact its saviour. This is in the strictest sense an authentically federalist argument. If there are economic, political and social tasks which the nation state is no longer equipped to undertake, then the nation state should have no interest in

jeopardising its good standing with its citizens by a futile pretence that it does not need assistance from supranational institutions. The efficient exercise of necessary competences at the appropriate level has always been a central preoccupation of federalist thinking.

Friends of the Federal Trust do not need reminding that over the past fifty years the United Kingdom has generally been unpromising ground for the sowing of federalist ideas, particularly federalist ideas emanating from continental Europe. Partly, this has been a political question, with the opponents of further European integration in this country seeking all too successfully to caricature federalism as the spawning-ground of a malevolent European super-state. There has also been an element of intellectual and political condescension in this coolness of the current British elite towards federalism. British commentators easily slip into a complacent and self-serving contrast between their own supposed pragmatism, grounded in the world as it really is, and what they see as the cloudy rhetorical constructs of their continental neighbours, among which federalism enjoys a prominent position. Those who read the following essay with an open mind will find it difficult to continue believing in the myth of a European superstate. They will find it impossible to continue believing that European federalism lacks grounding in what even the most obdurate Anglo-Saxon would recognise as reality.

Brendan Donnelly
Director of the Federal Trust
December 2003



Transforming sovereignty

by Tommaso Padoa-Schioppa

Economic union and nation state

A discussion about the European Union and the nation state necessarily starts from the economic side, because for decades this was the predominant, albeit not the exclusive, content of the European construct. The key objective set by the Treaty of Rome in 1957 was to establish what came to be named the 'four freedoms', that is free circulation of goods, services, persons and capital. In spite of the relatively modest label of 'common market', a few examples suffice to show how far-reaching such an objective was. At the time when the Treaty was signed, citizens and firms of the signatory countries did not even fully enjoy the four freedoms within their own countries. Even in the United States the provision of banking services across state frontiers was prohibited until about ten years ago. In the 1950s an Italian citizen could not freely establish residence in a municipality of his choice within the country. The programme of the four freedoms left far behind it the field of international relations, to reach deeply into that of national, or domestic, economic arrangements.

The Treaty of Rome acknowledged that a common market postulates not only the *freedom* to take part in the market, but also the *rule of law* for the market place. In modern nation states a significant portion of the total *corpus juris* concerns economic activity, and both political debate and government action are largely devoted to economic matters. In the United States, intervention in the economy by Congress and the Executive Branch grew over two centuries out of the single, rather short, clause of the Constitution that grants freedom for interstate commerce.

In order to create a single market in Europe, an enormous task had to be accomplished. Almost the totality of national legislation regarding economic matters had to be re-written. This task consisted, by definition, of limiting the 'sovereignty' (i.e. the unbounded right and capacity to take autonomous decisions) of the nation state in the governance of the economy. Indeed the task could only be fulfilled at the Community level, where the four freedoms were deemed to apply, not at the lower, national level. This required an authority placed above the nation states in the three classic government functions of the legislature, the executive and the judiciary. In particular, what made the adoption of the single market legislation eventually possible was a massive shift from unanimity to majority decision-taking in economic matters, through fundamental amendments of the Treaty of Rome introduced in the so-called Single European Act in 1986. Only this change enabled the European Community to implement the vast legislative programme that the unanimity rule had kept stalled for years.

The difference between a unanimity rule and a majority rule cannot be over-emphasised. Supranationality begins where the unanimity rule ends. Only then is it recognised that there is a common good shared by a wider community than the nation state and that no single member has the right to impede the achievement of that good.

In the 1980s and 1990s in particular, the creation and management of the single market was not a static re-arrangement whereby a group of countries simply harmonised, and then started to share, economic legislation. It was, instead, a powerful driver of economic reforms within member states. Without doubt, this owed much to a new and powerful concomitant movement towards market principles. However, it was also due to the progressive discovery (and this is a lesson for policy makers and political economists alike) of how far-reaching were the implications of implementing the four freedoms in full. For most countries (I shall comment on the United Kingdom in a moment) the re-orientation of economic policies towards more competition, less state intervention, greater reliance on market mechanisms and private incentives has been crucially linked to the re-launching of the single market programme.

When this programme began to be implemented in a thorough manner, the role of Brussels in promoting economic reform, while respecting the limits of European Community competences as assigned by the Treaty, extended into fields not previously expected. For example, financial markets and institutions were profoundly reformed by the advent of full capital mobility combined with the freedom to provide banking and other financial services throughout the area. Privatisation policies were promoted, in spite of the neutral attitude taken by the Treaty of Rome on the issue of private or

public ownership, by the more rigorous attitude adopted by the Commission in exercising its functions in the field of competition. The same happened for the liberalisation and, later, privatisation of public utilities, which used to be bastions of public ownership, protection and the social use of productive processes. More generally, Colbertian policies of creating and supporting national champions, which had long been a key component of the activity of the nation state, were set on a declining path, although they have certainly not disappeared.

An *efficient allocation* of economic resources to be pursued mainly, albeit not exclusively, through the establishment of the four freedoms has certainly not been the only achievement of the European Union in the economic field. When read with an economist's eye, it appears that the original draft of the Treaty of Rome already spanned the full range of the economic policy functions of the nation state. It dealt not only with allocation, but also with re-distribution and stabilisation or – to phrase it in terms of objectives – with equity and stability, in addition to efficiency. The implementation of the Treaty and repeated amendments to it further developed European Union policies directed towards equity and stability, two objectives that assumed a growing importance in the economic agenda of governments during the twentieth century.

The re-distribution of economic resources is based on a principle of *equity*, or solidarity, which is typical of a national community. Within countries, support of the efforts of less-developed regions to catch up has become a task for central government, especially since World War I. This same task was partially entrusted to the European Community from the outset, and developed over time. Its instruments were the so-called structural funds of the European Community, the borrowing and lending activity of the European Investment Bank and, more recently, the Cohesion Fund. The remarkable economic successes of Ireland, Portugal and Spain owe much to these policies.

As to *stability*, its pursuit did not feature prominently in the Treaty of Rome, which confined itself to rather generic provisions on the commitment to 'regard exchange rate policies as a matter of common interest' (Article 124) and to 'co-ordinate economic policies' (Article 99). In the mid-1950s this was deemed sufficient because other powerful instruments were in place, first and foremost – in the monetary field – the dollar-based fixed exchange rate system founded at Bretton Woods. As to the budgetary field, public sector deficits did not seem to threaten overall economic stability as much as they did in the 1970s and afterwards. The situation and attitudes changed, however, when price and exchange rate instability began to appear and public sector deficits to widen, while, at the same time, implementation of the four freedoms was

gathering pace.

Seen from a narrow economic point of view, the decision to complement the single market with a single currency originated from the recognition of two facts: first, that the order of a single market could not be preserved without a degree of macroeconomic stability; second, that overall stability could not be enduringly achieved if each country acted independently. In the monetary field as well, the transition from an *international* regime, based on an exchange rate rule, to a *domestic* regime, based on a single currency and a single central bank, had become necessary. Of course, the significance of the single currency goes much beyond this narrow economic explanation because issuing the currency was, and had been since the most ancient times, a key prerogative of sovereignty. As such it has been, in modern times, a key function of the nation state.

The United Kingdom has held a special position and played an important role in these developments. I do not refer here to the original British opposition to the Treaty of Rome nor to the preference, in opposition to the ambitious project of a European Economic Community, for a more traditional free trade area. Rather I refer to the proactive role that Mrs Thatcher, as the United Kingdom prime minister, and Lord Cockfield, as the European Union Commissioner in charge of the internal market, played in the actual implementation of the central objective set by the Treaty of Rome. For decades, prior to Mrs Thatcher's accession to power, support for market principles had constantly declined in major industrial economies (and in the United Kingdom more than elsewhere). The policy shift she promoted in Britain was soon followed by the Reagan administration in the United States. This shift profoundly changed the intellectual climate in many countries. On the European continent, however, it spread only gradually and mainly via the new impetus provided by her. As for Lord Cockfield, he was the person who did the most, from Brussels, to design and implement the strategy for actually achieving the objective. Under his primary direction, the 1985 White Paper on the internal market was issued, and the method was defined by combining a minimum of harmonisation with the mutual recognition of national norms. Without his relentless pressure, the enormous task of preparing, approving and implementing over three hundred Directives most probably would have failed.

If, however, we turn our attention from economic to political principles, and look at the implementation of the single market and the single currency from the point of view of the relationship between the European Union and the nation state, the United Kingdom position appears in a different light. The United Kingdom approval of the Single European Act in 1985 almost looks like an accident in a strategy of determined resistance against any limitation of the independent role of the nation state. First, the intergovernmental conference that drafted the Single European Act was called against

the vote of the British government. Second, in subsequent years, Mrs Thatcher repeatedly regretted her signature of the Single European Act as 'a mistake'. Third, her support for Lord Cockfield did not last for long after he joined the Commission and soon degenerated into overt disagreement and even public criticism. Fourth, the move to the single currency was resisted and, when the moment to sign the Maastricht Treaty came, the 'mistake' was not repeated.

If we take a short digression and consider, beyond Europe and the nation state, the problems of the world as a whole, we see that the European experience of establishing the four freedoms among a group of sovereign states is very relevant when discussing how the globalisation of the economy should be governed. What we have been observing in the last decades is the emergence of a world market with very little rule of law, and a lack of authority to guarantee not only the freedoms but also the rights and obligations of its participants. Now, as we have seen, the European Union provides the example of a group of nations that have developed in parallel the freedom *and* the government of the market. The Euro has a special significance in this respect because it brings the creation of a unified market to its ultimate conclusion of providing that market with a single currency. As noted above, the four freedoms have been implemented by establishing elements of a *domestic* economic order in what was previously a system of *international* relations. The addition of the single currency represents the completion of such a process.

Can we say that economic and monetary union has brought about the end of the nation state in the economic field? My answer is 'No', it has not, but it has led to a profound transformation of its role and significance. Let me explain this answer by looking at each of its two components, change and continuity.

There are two fundamental reasons that would lead one to answer 'Yes'. First, now there is indeed a power superior to the power of the states. Second, now there is a market space that is larger than the territory of each participating state. If unbounded power and territorial coincidence between the political authority and the economy were to be seen as the very essence of the nation state, then we should conclude that European monetary union marks the end of the nation state in the economic field at least. These two features have been, gradually and peacefully, taken over by the European Union.

If I nevertheless think that the answer is 'No', it is because, important as they are, these two features are not so essential to the nation state as to destroy it when they disappear. Although they have been essential features of the nation state in a particular period of history, they could – like other features such as limited suffrage

or lack of the separation of powers – be abandoned in the search for better human conditions. Indeed, our consultation of the dictionary has shown that, even before the creation of the European Union, modern nation states already failed to correspond in reality to their theoretical definition because government functions had ceased to be entirely concentrated at one level (if they ever were).

In the system created by the Treaty, the member states are an essential component of the institutional mechanism, even more than the states of the United States of America or the *Länder* of the German Federation. Indeed, the overall machinery could not function if the gearing through the nation state was removed. The advent of the European Union brings to an end the absolute economic power of the nation state, but it certainly does not cancel out the economic role of member states. The salience of the nation state in economic governance is also rooted to a great extent in the ‘power of the purse’. The modern welfare states in the European Union continue to administer some 40 per cent of national income for the purposes of redistribution and the provision of public goods – which, in turn, generates popular allegiance to the nation state.

Political union and the nation state

In the European construction, the word ‘union’ came to the centre of the stage only when political union was put high on the agenda, that is with the 1990-91 inter-governmental conference initiated by Kohl and Mitterrand that led to the Maastricht Treaty. Before then, the word had been timidly inserted into the Treaty in brackets, through a new chapter on Economic Policy Co-operation adopted in 1986 in the Single European Act as an amendment of the Treaty of Rome. As is well known, the Maastricht Treaty originates from the combination of two objectives: first, moving to a single currency and, second, starting the process of political union. The former objective took the form of amendment of the Treaty of Rome, the latter the form of additions paralleling the Treaty of Rome. The name ‘European Union’ was then adopted to designate the resulting three-pillar construction concerning the European Community (with the single market and the single currency at the core), the Common Foreign and Security Policy, and Co-operation in Justice and Home Affairs.

Although neither the Maastricht Treaty nor the debate surrounding it has provided an accepted definition of political union, it is possible to extract the notion that was, and largely remains, implicit in the debate. It is linked to the twofold meaning of the term ‘political’ as advocates of ‘political’ union might understand it. First, ‘political’ in contrast to ‘economic’: the European Community was not a political union because its

field of competence was the economy rather than defence, security, foreign policy etc. Second, 'political' as opposed to 'technical': the European Community was not a political union because its decisions resulted from technocratic bargaining, obscured by jargon and removed from public scrutiny, rather than from a proper political process.

This implicit notion, and hence the issue of political union versus the nation state, is not problem-free. I will deal with it by considering two questions. First, do we already have a political union in Europe? Second, what form could a European political union conceivably take?

The answer I suggest to the first question departs from the customary straightforward 'No'. I affirm that what we have is a *partial* political union. Let me begin by illustrating the elements of a political union that we already have and then explaining why such elements, important as they are, do not suffice to form a full political union.

The first important element is that setting the key policy guidelines in the economic, monetary and financial field has already become a competence of the Union. As described above, legislation concerning products and markets originates mainly in Brussels. Competition policy is a prerogative of the European Commission. Budgetary policies, albeit national, are subject to a more binding rule (established by the Maastricht Treaty and the Stability and Growth Pact) than those existing for German *Länder* or individual states within the United States. There is a single currency, and monetary policy decisions are the responsibility of the European Central Bank. In most countries of the Union all these matters had previously constituted a major portion in the exercise of political power. This is still the case in the United States, Canada and Japan, to mention just the other members of the G7. How could it be denied that the European Union, to which these functions are now assigned, is in this respect a political construct?

The second element is that the legislative, executive and judicial actions undertaken by the European Union in order to establish the four freedoms have gone far beyond the purely economic field. Immigration, health protection, cultural matters (e.g. import or export of works of art), education (e.g. recognition of degrees and professional qualifications), environmental issues and security matters are among the most relevant fields where incursions have been made by the European Union as a corollary of its economic competences. Indeed, none of these fields could have been totally neglected if the government of the market had to be established in parallel with its *freedom*. These incursions, which were normal practice when the legislator was national, are not due to the fact that governments exceed their competences (although

they sometimes do). Rather they are due to the deeper reason that the economic and non-economic aspects of life are rarely separable. Be that as it may, the European Union has gone a long way in exerting political power in fields that are not exclusively economic.

And the third reason is that the establishment of the four freedoms has required – as noted already – setting up a state-like institutional system. The allegedly technocratic character of European institutions is often criticised, and it is often invoked to deny the legitimacy of European Union competences or to refuse their further extension. Although, as I shall point out in a moment, the criticism has a foundation, what is too often disregarded is that the creation of a legislative and executive capacity, an elected parliament, a judicial function etc., make the European Union completely different from any so-called international organisation and endow it with state-like attributes. Only political unions call their citizens to vote. Only political unions issue norms directly applicable to physical and legal persons and enforceable by the courts.

Why then, in spite of these important elements, do I share the view that we do not have a full political union? The reason lies in major deficiencies that persist in the competences, the institutions and the politics of the Union.

As far as the *competences* are concerned, the European Union is not the depository of the *ultimate* authority, particularly in the fields of internal and external security. It lacks the ‘tax and spend’ powers which foster public allegiance to the nation state. It does not dispose of an autonomous power to allocate policy competences between the various levels of government (European, national), because the member states continue to be the ‘masters of the treaties’. It therefore lacks the key prerogatives of the state, which have been its historical *raison d’être*. The steps taken in Maastricht, Amsterdam and afterwards in the directions of foreign and security policy as well as in internal affairs are just a beginning; the gap is far from filled. A reading of the political philosophers of the seventeenth and eighteenth centuries clarifies that it was not to consolidate and exert functions in the economic field that the theory of the state was created and gradually implemented. The modern state was rather created to bring a remedy to conditions of internal and external disorder and insecurity. For the economic field, the main prescription was that the state should keep out.

As far as its *institutions* are concerned, the European Union still does not comply with the key principles that form the heritage of western constitutionalism. First and foremost, the majority principle is not fully applied. The majority principle has a fundamental importance because with unanimity it is by definition impossible to

pursue any meaningful notion of general interest, that is a notion that represents more than the lowest common denominator of the manifold particular interests. Second, power should be based on the will of the people, and result, directly or indirectly, from a popular vote. In recent years progress has been made to correct what is called the democratic deficit of the European Union. Already now, for instance, the Commission can take office only after winning a vote of confidence by the European Parliament, which is the typical procedure of parliamentary democracies. Furthermore, the area in which so-called co-decision by the European Parliament is required has considerably expanded. The deficit, however, persists. In the European Union, it is still possible to adopt legislation without a positive vote by the European Parliament, something that would not be conceivable in any of the democratic countries we know. The third principle is the equilibrium of powers in the European Union. Although an evolution is clearly underway, the various institutions of the Union certainly do not yet have a balance of powers similar to that which we see within democratic countries.

Finally, from the point of view of *politics*: the life-blood of politics – namely public debate and political struggle – is not yet circulating in the veins and arteries of the European Union body because the European Union is not yet the main theatre of party contest in Europe. A peculiar contradiction persists between the national character of such controversy and the increasingly European character of both problems and solutions. The illusion that national governments can provide solutions to problems that increasingly transcend the national dimension is, let me note incidentally, an important aspect of the crisis of politics in Europe. Here too, however, a change is underway, just as we have seen for the competences and the institutions. For instance, choosing affiliation in parliamentary groups of the European Parliament plays an important role in the definition of party positions *in their home countries* on key issues such as democracy, human rights, market principles or European integration itself.

The Treaty has, moreover, an as yet unexploited potential for the further development of European political life. In particular, I think of the possibility, mentioned already in 1998, that the two or three major political groups participating in the European elections should present to the electors their own candidates for the Presidency of the Commission, and make their willingness to accept the President of the Commission proposed by the European Council depend on the result of the popular vote. The Treaty has been amended in order to synchronise the mandates of the Commission and of the European Parliament, and a confidence vote is now required for the election of the Commission; its purpose is to permit and further promote this decisive step towards a living European democracy. It should be remembered, in this respect, that in the United States the only

truly national electoral event is the presidential election.

To conclude, the European Union is not yet a political union, partly because it lacks the full *morphology* of a political union in terms of competences and constitutional profile, and partly because the *behaviour* of the relevant political organisations, institutions and public opinions is not that of a political union, even when it could be. Such behaviour remains anchored in the nation state context, although the realities have moved on. Many organs and functions of a political union are already present. The whole body, however, still lacks the will power to stand up and walk.

This conclusion leads into the second question: what kind of political union should be envisaged (i.e. considered possible and desirable) for the European Union? The homogeneous centralised character of a modern nation state can hardly be the model for the European Union. The process whereby nation states have achieved uniformity of language, legislation, and (frequently) religion took many centuries and was forged by means of coercion and repression that have been subsequently banned from the instruments of democratic politics. In many cases the wounds of forced national integration are still open, as is shown by the claims of regional autonomy recently developed in several of the oldest European nation states, sometimes even resulting in violence.

Nationhood will not be the basis for the creation of a European state, in the way it was the basis for the creation of the Italian and German states in the nineteenth century. Much more realistic would be to envisage *constitutional citizenship*, or what political philosophy calls a *federation*. I know that this word lies today in a terminological minefield and qualifies its users, especially those outside Italy, as dangerous enemies of the nation state. But let me say clearly that this is only due to the current debate being grossly and regrettably ignorant of the language of political philosophy. In the latter, 'federal' defines a constitutional system in which several states share, for affairs of common interest, a common government. The components (variously called states, *Länder*, provinces, or cantons) remain independent in the conduct of their own affairs, with powers derived from the people, not delegated from the centre. The union is based on a covenant (*foedus*, hence the word federal), not on subordination or ethnicity. The word was adopted in the North-American political debate of the seventeenth and eighteenth centuries leading to the 1789 Constitution of Philadelphia and applied to Europe by British thinkers (the great Scotsman, Lord Lothian, among them) in the first part of the twentieth century. It is thus particularly disappointing that in the political debate over the future of Europe, the same word came, over recent decades, to represent its opposite: the spectre of

a centralised European super-state. It is an ironic consequence of such conceptual distortion that the victory claimed by those who rejected the word 'federal' consisted of including – instead of 'federal union' – the more ambiguous and dangerous expression 'ever closer union' in Article 1 of the Maastricht Treaty.

The profound historical and cultural diversities among and within European nations and the non-repressive character of modern democratic states suggest that the federal form is the only way in which Europe can possibly unite. Strong impulses towards unification have emerged throughout European history, in spite of profound diversities and deeply felt localism. They were certainly due to the expansionist ambitions of state rulers, but there were also common roots and mutual influences in science, culture and social habits, whereas ethnic distinctions were blurred by migrations and invasions. Seen in this light, the century-long struggles for extending domination over the continent by one or other state may appear as a quest for union. For centuries, this quest used force as the instrument and the centralised state as the model. Only in the last fifty years did that quest turn to legal and democratic decisions as the instrument, and to the federal model.

I shall not stray into the question of which particular type of federal structure can be envisaged for a European Union. A simple comparison between the United States, Switzerland, Canada and Australia – to cite just a few examples – illustrates a great variety of possible configurations. The dividing line between the affairs of the Union and those of the components, the procedures for selecting and controlling the central government and the administrative structure can all be designed in many different ways. I confine myself to observing that the European integration process has so far devised a model of its own, and will probably continue to do so.

Would nation states disappear in a European Union that had evolved from a partial to a full, federally organised, political union? Contrary to the view expounded by both defenders of the status quo and advocates of outright supranationalism, political union would *not* mark the end of the nation state. Nation states would undoubtedly undergo a profound transformation, one of the biggest they have experienced over the centuries. However they would *not* disappear; they would continue. Let me explain these two points.

First, the *transformation*. This consists in depriving the nation state of its absolute power. Obviously, by extending its competences and eliminating the situations in which unanimity applies, political union would entail the creation of a higher level of sovereignty and hence a diminution of specific prerogatives of the member states. More importantly, nation states would lose, over and above precise tasks and

competences, the absolute character of their power. This is the key change, because the principle that there is no authority to which they are themselves subject has been a – perhaps *the* – fundamental feature of their constitution. This feature has been their touchstone for so long, that its loss is seen by many as the end of the nation state itself. To some, Montesquieu's theory of the separation of powers in the seventeenth century, or equally the cry for democracy in the eighteenth and nineteenth centuries, must have appeared no less deadly threats to the state. Yet those past experiences also represented a transformation, and not the dissolution, of the state.

Today, the adversaries of a European federal Union are not defending the nation state. In point of fact, they defend its absolute character, just as those who strenuously opposed the separation of powers or universal suffrage were not defenders of the state. They were only defenders of a particular historical form of the state, one that no longer corresponded to the needs of the citizens and the principles of the time.

Second, the *continuity*. Various considerations argue against the claim that the nation state will perish with the end of its absolutism. If the principles of federalism were correctly applied, competence would shift to the Union only for the provision of those public goods that cannot be attained by the nation state: goods that are union-wide rather than state-wide (the first and most important of them being, of course, internal and external peace). The game would thus have a positive sum, not a zero sum, and what member states would relinquish is, to a large extent, an illusory power.

If the transfer of power is nevertheless strongly resisted, it is for understandable reasons. For one thing, the inertia of habits and the deep roots of ideological ways of thinking may mislead the judgement of citizens and organised interests. Moreover, those who are entrusted with the public functions of the nation state would suffer the loss of symbols and trappings of authority, regardless of their being void of substance. In reality political union would largely restore, not transfer, sovereignty.

Even after acquiring state-like features, the European Union would be a union of many nations, languages and historical traditions, more akin to the Roman Empire than to nation states. Nation states are the strongest, albeit not the oldest, political construct in Europe. They are the outcome of an evolution of political arrangements that through the centuries has encompassed all strata of society and all fields of human activity. Under their aegis, violence has virtually disappeared from vast territories, language has become common to millions of people, culture has widened its horizons, and economic activity has flourished. In a European political union, people will retain strong allegiance and loyalty to their nation and its institutions, as

entities which embody much of their cultural heritage and civic traditions.

There is more. Not only would nation states survive in the culture and behaviour of people and retain full competence for a broad range of policy functions, they would also play, as members of the union, a crucial role in the mechanism whereby the Union exerts its own competences. As is already the case for the economic union – the field where unification has gone farthest – the European Union is constructed in a way that makes member states an essential link between the Union and the people. It could be said that the European Union not only *accepts* the survival of nation states, it also *supports* nations with their characteristics and diversity. By guaranteeing peace it eliminates the risk of conquest and external aggression and allows the diversity of national traditions, languages, and cultures to be preserved. By eliminating this risk it also helps to remove what has been, throughout history, a major cause of oppression and intolerance within the most civilised nations.

The need to avoid excessive centralisation would not vanish with the choice of a federal model. The history of the United States, for example, suggests that, even in a federally structured state, competences may be gradually sucked up by the highest level of power. Even the so-called Reagan revolution only marginally corrected the secular drift towards the federal level of government. Thus the following question arises: how could a European federation avoid the excessive centralisation feared by its adversaries? The answer lies in the principle of *subsidiarity*.

As we know, this principle advocates that higher levels of government should only be entrusted with tasks that cannot be fulfilled at lower levels. The rationale for government functions to be entrusted to the lowest possible level can be summarised as follows. The only holders of *total* political power are the citizens, the people being 'the sovereign'. Government exercises political power only *on behalf* of the citizen, and therefore should always hold a *partial* power and stay as close as possible to the citizen. Federalism, like the tradition of political liberalism of which it is a branch, is based on the principle that government interference with individual freedom should be kept to a minimum. Government functions should be exercised at a higher level only when the assigned objective is unachievable at a lower level.

In a constitutional system ensuring full implementation of subsidiarity, one would not see a one-way movement of competences from lower to higher levels of government. Instead one would see a bi-directional linkage with periodic adjustment of the assignment of competences, always to the appropriately lowest level. There would be phases in which the authority of the centre grows relative to the components, as well as phases in which the components grow relative to the centre. The direction

of the movement would depend on the needs, on the evolution of popular conviction, and on the ability of political organisations to represent their constituents' views.

Turning to the European Union, the word 'subsidiarity' entered its constitution with the Maastricht Treaty, when an article (now Article 5) was inserted to state that the Community shall take action, in accordance with the principle of subsidiarity, only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the member states and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.

Since then, subsidiarity has become one of the key concepts in the debate about the future of the Union. While bringing to an end the absolute power of the nation state means limiting its power from above, limitation from below is also an issue.

The process of political union has probably itself stimulated the demand for local autonomies and fostered the sub-national government structures of many member states. Greater awareness has in fact developed as to how local identities and traditions could be preserved in a diversified and peaceful single framework. Furthermore, pre-existing sub-national levels of government, such as the German *Länder*, were used to dealing with only one, not too distant, 'central' government. These entities were wary of Brussels, as a threat to their autonomy, and they began to claim extra guarantees from their central governments. Scotland's experimentation with the devolution of powers from the central government, new as it may be for the United Kingdom, is just a recent example of a European trend. Even France seems now to be following a similar course with Corsica. Spain had preceded both France and the United Kingdom by granting extensive (including linguistic) autonomy to the Basque country, Cataluña and Galicia. So did Belgium in the 1970s and 1980s. And Italy, which had adopted the French centralised model when it constructed its unitary state in the nineteenth century, moved even earlier, by granting special powers to Sicily and other regions directly after it became a republic, and it has recently extended broad autonomy to all of its twenty regions.

Apparently paradoxically, tensions between the regions and the centre seem at first sight to be more acute and desire to limit control power more pronounced in the oldest, centralised European nation states built by the great monarchic dynasties than it is in relatively recent states, whose existence was more directly derived from the idea of nationhood. This may be due to the fact that in the latter countries there is less deep-seated resentment at ancient coercion and repression, which is rather associated with the unification of the former countries in the distant past. However, it may also be due to the fact that for the monolithically organised dynastic states the break with tradition

brought about by the European process has been sharper; this sharp break may have triggered stronger secondary effects. The expression 'nation state' (we should not forget) is the combination of two very different elements, belonging to the spheres of cultural life and political organisation respectively. Italians, for instance, had for centuries a perception that Italy was a single entity in terms of culture, civilisation and commonality of language and history. Yet they had no Italian state, and even the word 'nation' was, as recently as two hundred years ago, used to indicate regions of the peninsula, not its totality.

In conclusion, a European political union is compatible with the continuity of the nation state. It is a transformation that deprives it of its alleged and largely illusory absolute power. In a European political union, sovereignty, that is command over public affairs, will be enhanced rather than suppressed. Freedom will at the same time grow, thanks to the principle of subsidiarity. In the Union, the nation state will increasingly be an intermediate layer between the sub-national and the supranational layer of government. If subsidiarity is correctly applied, the risk that the nation state might be deprived of all its functions by the combined action of sub-national and supranational governments is, to my mind, quite remote. On the contrary, having become an essential part of the Union's machinery and having been freed from promises it could not fulfil, the nation state would strengthen its functionality and become more credible.

This process has already started and will proceed, if it does proceed, gradually. After all, political arrangements never have been static, and even the identification of milestones is difficult. The 'act of uniting' in which Europe is engaged undoubtedly has remarkable special features, ranging from the weight of national histories and traditions to the peaceful and transparent character of the unification process.

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