

# **Introduction**

## **to Prime Minister Verhofstadt's book**

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The Prime Minister of Belgium, Guy Verhofstadt has written a courageous and visionary book. It comes at the right time – in a period of flux when the future of Europe can be shaped. It adds to the reflection, when Verhofstadt's colleagues in the European Council have to find creative ways for overcoming Europe's confusion caused by the rejection of the Constitutional Treaty through French and Dutch referenda. The book offers new perspectives for Europe. It also reminds us of what we can learn from the creation of the American republic. It has an outstanding place in the long history of European intellectuals calling for the United States of Europe. Any reader, who is concerned about the future of the European Union, must read the Prime Minister's book.

“Like a house on fire” – this is how George Washington described the state of the American Confederation in 1787. A Union without proper government and lacking financial resources, a debt burdened economy, rising social unrest and tensions between member states – all this seemed to confirm what sceptics in London had always predicted: that Americans were unfit to have their own government. Several months later, the Convention had met in Philadelphia and produced the Constitution of the United States of America. Rapidly ratified by 9 out of 13 member states, it has governed the United States to this day. George Washington had helped to extinguish the fire and became America's first President.

Today, the European house is on fire. Half a century after Europe's founding fathers have set up the gradual process of European unification, the European dream seems to be fading. Like the early American Confederation, the European Union is run by “governance without government”. Member states bicker about everything from financial resources to economic reforms. Politicians blame “Europe” for any

unpopular decision and then regret that voters reject their projects. Despite the historic achievement of the single European market and the euro, unemployment has become a quasi-permanent style of life for millions of European citizens. Not surprisingly, citizens are disenchanted. Young men and women doubt that they still have a future in Europe and the brain drain across the Atlantic deprives Europe of its best minds.

European integration used to inspire people. It promised a better world. Not built on blood and tears, as earlier revolutions, it seemed to guarantee peace, democracy and prosperity. Its success has tempted many nations to join the Union. Yet, at the moment of its greatest triumph, when enlargement started to heal the wound of a divided continent, the European Union seems to have lost the capacity to govern itself. The Belgian Prime Minister, Guy Verhofstadt, was the first to organise the fire brigade. Under his Presidency the European Council in Laeken set up the European Convention responsible for writing a constitutional Treaty for the European Union. But contrary to the American example, ratification has failed. Since then the speechless European heads of state and government have agreed on “a period for reflection”. But again, Guy Verhofstadt is refusing to watch how the European house is burning to the ground. This book is his call for action.

What went wrong with the European Union? What needs to be done? As a seasoned statesman, Guy Verhofstadt gives us the answer: Europe is not capable of acting decisively when facing the challenges of a globalised economy and the socio-economic changes that follow from demographic changes. The problem is the intergovernmental form of governance. For many citizens, it is synonymous with a Kafkaesque maze of bureaucracy that meddles with the insignificant but does not solve the essential.

Political economists can help to explain why this Europe is failing. They observe a growing number of policy areas, where public goods are provided that affect all citizens across the Union. This is most apparent in the economic domain, where single market regulations are necessary for protecting consumers and creating a level playing field for producers. For citizens in Euroland, who use the same currency, these common public goods are even more important. The rate of inflation determines the value of their savings; the interest rate sets the conditions for financing a mortgage

or buying a car; the exchange rate determines external price competitiveness. All this has consequences for jobs, economic growth and standards of living – regardless of whether one lives in Brussels, Helsinki, the Algarve or Crete.

But not all public goods are the same. Some can easily be provided by voluntary cooperation between autonomous governments, because every member state has an interest in participating in their production. They are called *inclusive* public goods. Famous examples are Airbus, the Galileo satellite system and some domains of technological research and development. However, there exists also a large and growing domain, where this logic does not apply. The related *exclusive* public goods are characterised by the fact that individual countries may be tempted to free-ride on the efforts made by others. For example, the Stability and Growth Pact covers such exclusive public goods. If all member states apply the rules of the Pact strictly, interest rates would be low. But then it would be advantageous for every government to borrow cheaply rather than raise taxes for additional expenditure. As a consequence, every member state has an incentive to do the opposite of what would be beneficial for all. For this reason, different policy regimes are necessary to provide these different forms of public goods efficiently. Inclusive public goods can be provided by intergovernmental policy cooperation; exclusive public goods require a single government to ensure that no member state can free-ride at the expense of all others.

Verhofstadt refers to the long and fruitless debate in Europe between those who favour the “community method” of delegating competences to the European level and inter-governmentalists, who prefer a Europe of independent nations. This debate has always missed the essential point: each policy regime is appropriate for a specific class of public goods. Much confusion in policy debates is due to the fact that people mix up the two different policy domains.

But Prime Minister Verhofstadt provides a clear solution to the problem. Just like in any parliamentary democracy, Europe needs a genuine European government with executive powers to deal with policy areas dominated by exclusive European public goods. This government must have its own resources, financed by a European tax. It should be led by a President, who shall emerge from direct democratic elections for

the European Parliament. It does not matter whether one calls such regime the *United States of Europe* or a *European Republic* as others have suggested. The point is, that only a proper European government can ensure the provision of exclusive public goods. In an ever-closer Union this is the only way for citizens to be governed efficiently. But it is also impossible to delegate more policy areas to Europe, unless citizens have a right to vote and select the policy package they prefer most. In a democracy, efficiency and legitimacy re-enforce each other.

The notion of United States of Europe has a long history. Jean-Jacques Rousseau saw a Europe, where “there are no more French, German, Spanish, even Englishmen whatever one says, there are only Europeans. They all have the same tastes, the same passions the same habits”. Montesquieu noted, “Matters are such in Europe that all states need each other. Europe’s a state made up of several provinces”. Kant proposed the creation of a confederation of European states as a step toward a “world republic”. Victor Hugo saw the day coming “when you France, you Russia, you England, you Germany, when all you Nations of the continent, without losing distinctive qualities or your individual glories, will bind yourself tightly together into a single entity and you will come to constitute a European fraternity, as absolutely as Brittany, Burgundy and Alsace are now bound together with France”. He also emphasised that “the European Federal Republic is established in right and is waiting to be established in fact.”

After the disaster of World War I, the German Social Democratic Party put the creation of the United States of Europe into its 1926 party program in Heidelberg and it re-iterated this commitment again after 1945. In 1930, the United States of Europe became the title of a book by Edouard Herriot – Prime Minister in France’s Third Republic – and constituted a serious attempt at practically envisioning a unified Europe. Within the framework of the erstwhile League of Nations, it promoted the idea for a coalition of all willing European states to foster the organization of economic and security policies in Europe. The notion of a “United States of Europe” received most attention in the well-known speech by Winston Churchill in Zurich (1946) where he called upon Europe to “arise!”. Jean Monnet founded the Action Committee for the United States of Europe in 1955 after the French Assemblée Nationale had rejected the Treaty on the European Defence Community.

More than two centuries after Rousseau, the United States of Europe is still not yet a reality. Should one conclude that the idea is utopian and impossible? Or does it not simply mean that the time has not been ripe yet? Half a century after the Treaty of Rome, the world has changed. It is also time for Europe's institutions to change. Jean Monnet was perfectly aware that "one change begets another" and "men are changed by what they do." He frequently used the image from his Alpine walking tours, whereby the perspective shifted minimally but inexorably all the time as one climbed the mountain. And the chalet at the top would not be the same as in the valley.

Today the process of economic and political integration has reached a point where Europe has to adopt its governance to a political Union with full democracy. Otherwise it will perish. Who could seriously believe that in a world of 6 bn people, growing to 9 bn by 2050, Europe's mini-states, where even the largest will represent less than one percent of the world population, could still attempt to shape their destiny?

In Prime Minister Verhofstadt's vision, the United States of Europe is not the dreaded super-state, a Levithan that asphyxiates all personal initiative. In fact, his proposal is totally coherent with modern political economy. He selects seven policy areas, which are dominated by exclusive public goods. This *res publica* will be administered by the European government. Nothing more, nothing less. Peoples' identity – their identification with culture, traditions, customs are not affected by their right to choose the direction and the leaders of their common government. I find it re-assuring that this United States of Europe is built on citizens' interests rather than on peoples' feelings.

The question remains: how shall Europe get to Verhofstadt's Promised Land? Clearly the project of the United States of Europe is more ambitious than the failed Constitutional Treaty, of which Verhofstadt says that it was a "watered down version" of the Convention draft, which did not go down well with citizens. Maybe no compromise is better than a bad compromise. It seems obvious, however, that a new Constitution needs to be written. Of course, the Belgian Prime Minister needs to be discreet on the subject of what to do next. He will negotiate with his colleagues in the

European Council. But he does insist that the United States of Europe need to be approved by a European-wide referendum. Given that he also mentions favourably the ratification procedure in the USA, where a quorum of states (9/13) was required to approve the Constitution, it may not be far-fetched to imagine the modalities of a new European-wide referendum.

However, we all know that the EU is not a politically homogenous bloc. Some countries have a long tradition of staying at the fence, even if they wish to benefit from the large and unified European market. Others have only recently gained their national freedom and autonomy and they may not wish to trade this in for the benefits of European public goods. With remarkable clarity, Prime Minister Verhofstadt explains how he intends to cut the Gordian knot of dealing with Eurosceptics. Countries belonging to the Eurozone share more exclusive public goods than those who have retained their own currency. They therefore face different problems of governance. Hence, it is logically coherent to think that Euroland will form the nucleus of the United States of Europe. By endowing themselves with an efficient government capable of meeting the economic and political challenges of the future, these countries will also protect the interest of those who do not wish to make the full step to the United States of Europe. The single market could not survive without the euro. The new Organisation of European States, proposed by the Prime Minister, will then become the framework, where the United States of Europe cooperate with their European partners. One may describe this by the image of “building the house of political Union in the garden of Economic Union”. Verhofstadt has clear concepts for both, the house and the garden. Note, however, how open and flexible his proposed structure is: Any country joining European monetary union is qualified to become a member state of the United States of Europe. This is a welcomed alternative to 2-speed models of integration, where a *directoire* of large member states takes over power – deriving therefore citizens of their democratic right to choose jointly their preferred preferences.

Guy Verhofstadt’s book is a true act of courage. It is written at a time when political cynicism dominates public discourse. Politicians are mostly portrayed as power-hungry, self-serving rational utility maximisers. All too often the sacrifices are forgotten that public service imposes on those, who chooses that career. A frequently

voiced complaint is that Europe is in a sad state, because we miss men and women of vision and conviction, like de Gaulle and Adenauer, Schmidt and Giscard, Kohl and Mitterrand and Delors. Have we forgotten how vilified these men have been in their own time? In any case, the charge would be misdirected at Prime Minister Verhofstadt. He has demonstrated, again and again, his conviction, courage and genuine love for Europe, as well as for his country. In this book, Prime Minister Verhofstadt defends the project of the United States of Europe – the only project so far capable of linking coherently the European dream with practical means. Like all new things, it is an intriguing and somewhat disquieting idea. Who does not know the comfort of following the established opinion? Who has not experienced the discomfort of thought, which obliges us to find new, untrodden paths? The American statesman and 7<sup>th</sup> President, Andrew Jackson, is known for the sentence: “One man with courage makes a majority”. We all can be men and women of courage that will make the United States of Europe.