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THE TIME HAS COME FOR EUROPEAN PUBLIC CORPORATIONS

*Domenico Moro**

When, in early March 1933, President Franklin Delano Roosevelt launched the New Deal, he had no idea that 35 years later German-American philosopher Herbert Marcuse would coin the expression "imagination in power", which, following the disappointing outcome of the European Council of 26 March, sheds light on the profound significance of that measure.

Roosevelt's policy has shown that decision-making power is necessary but not enough to take bold initiatives. The US President who preceded him, Herbert Hoover, believed that responding to the economic crisis was up to the member states of the American federation alone. Through federal intervention, Roosevelt not only reversed this political paradigm, but also changed the economic one. The Federal Reserve System, which was to last for twenty years, became a permanent monetary institution, tax rates on higher incomes were increased and with the passing of the Social Security Act minimum federal unemployment insurance was introduced. In fact, the invention of modern macroeconomic policy dates back to those years.

Perhaps lesser known, but no less important, are the other decisions that accompanied the New Deal: the establishment of the Public Works Administration, the Tennessee Valley Authority (TVA) and the Civilian Conservation Corps (CCC). Through the first two, the federal government equipped itself with the tools to build infrastructure directly (bridges, dams, schools and hospitals) in several Member States. With the TVA, which covers seven states, a public-owned corporation to generate electricity was set up. Investment in the TVA, which today is the largest US public-owned energy generation corporation, was financed by a seventy-year loan. By establishing the CCC, Roosevelt anticipated what we now call the Green Deal. It was aimed at protecting the environment and youth employment. At the end of the nine-year programme, several parks were created throughout the United States and three billion trees were planted, employing three million people.

Shortly before Roosevelt launched his plan, the US government made another decision designed to provide an essential public service to its citizens: the establishment of what is now called the National Institutes of Health, the world's largest biomedical research centre: it manages 27 institutes and research centres scattered throughout the territory, with an annual budget of 32.4 billion dollars for R&D (2017), compared to the one billion euros spent by the European Commission.

What I would like to stress here is that the outcome of these interventions was the significant strengthening of the federal government, but not at the expense of the power of states, as it focused on *new* activities, necessitated by the economic crisis of the 1930s. The EU is now starting from a more favourable situation. Alongside some federal institutions and policies – commercial policy, the Court of Justice, the internal market and the elected Parliament – there is the ECB, a permanent institution that has launched the most ambitious monetary policy since it was established. A policy that also provides for the purchase of bonds issued by both public and private European corporations, which can be used for additional investments. It is the latter that must be exploited if we want to give a sign of change to the European economic system.

If we continue to insist on the concept of "common debt", which must be guaranteed pro-rata by the individual Member States, as a sign of European solidarity, it is unlikely that we will ever settle the debt. This is, in fact, weak solidarity, as it is based only on convenience or, in this case, the pressing needs of Member States. It is in fact based on a hypothesis of political community which continues to be intergovernmental and non-federal. European solidarity must instead be founded on a different entity which, however, already exists and manifests itself every time the European elections are held: the European citizens, the only entity capable of affirming European federal solidarity.

The main European institutions, the Commission and the Parliament, must have the courage to call for the issuance of *European* debt, guaranteed by European taxes, to overcome the dead-end idea of *common* debt. What should this European debt be for? There is no shortage of European precedents, even rather groundbreaking ones. Just think of the Galileo Joint Undertaking, which has created a world-class satellite navigation system, superior to the US GPS itself, or the Airbus Company, established as a public consortium and now listed on the stock exchange, the world leader in the civil aviation industry and a frontrunner in the military sector.

The EU must have the courage to promote public-private enterprises that provide European public goods: health, defence and energy. In the health sector, through recourse to Article 187 TFEU, the EU should create a European Joint Undertaking for Health on the US model and allocate the same R&D resources to it, i.e. 30-40 billion euros per year. The territorial distribution of these investments may be negotiated, but the important thing is to move forward in this direction.

In the defence sector, the agreement between STX and Fincantieri should be given the go-ahead, extending it to the Naval Group too, in order to create a world leader in the civil and military shipbuilding sector. Secondly, a European consortium for the construction of the new Future Combat Air System promoted by France and Germany should be set up. In contrast to its earlier stance when the Airbus consortium was established, Italy should take a firm stand on this. Thierry Breton's appointment as Commissioner for the Internal Market, responsible for industry, defence and space, should facilitate these initiatives.

In the energy sector, in addition to what it has been already mentioned in another Comment published by the CSF, the construction of the tunnel under the Strait of Gibraltar linking Morocco to Spain could be considered. This project, initially designed only for rail transport, has been revised to include its use as infrastructure to transport solar generated electricity produced by African countries. This investment, in addition to being a tool to implement the Green Deal, would also be a signal to the Euro-African political and economic community of structural cooperation between the EU and the African Union.

The above-mentioned CSF Comment also refers to an own resource that could serve as a guarantee for the issuance of European debt to finance the initiatives listed above: a border carbon adjustment. Whether as a customs duty or a compensatory amount, it is a measure inherent in European commercial policy, i.e. an exclusive competence of the European Union. The European institutions have the power to make this decision and, unlike Roosevelt, they do not even need to be very imaginative. Not exploiting this would mean allowing the European project to sink definitively, leaving Europeans solely in the hands of the emerging powers.

* *Member of the Board of Directors and Coordinator of the Security and Defence Research Area of the CSF*

(The opinions expressed here do not necessarily represent the CSF)

CENTRO STUDI SUL FEDERALISMO
Piazza Arbarello 8, 10122 Torino - Italy
Tel. +39 011.6705024   Fax +39 011.6705081
www.csfederalismo.it   info@csfederalismo.it