Rethinking EUROPE and the EU.
By Bruno Amoroso

The questions posed to us by Antonio Lettieri do not concern matters of policy adjustment or budget imbalances, but the very core problems of the EU`s goals and means.

Therefore, I do not think that we can answer these questions by trying to catch up with the wishes of the financial markets expressed by fake and manipulated indicators such as the "spread", the "rating" etc. but by watching into the historical trend of the European Project, as proposed by Marcello Colitti.

I agree with many of the considerations and proposals he makes in the second part of its elaboration, while I dissent on the first more historical part.

Let`s start with two considerations about the historical part.

The European project was conceived just before and after the end of WWII. One of the thinkers was Altiero Spinelli, a communist and antifascist, who imagined a diversified Europe united by principles of solidarity and peaceful co-existence among its cultures and nations. A federation of people and nations engaged to build up an institutional and economic system based on cooperation, to end the system of competition and war among nations and markets.

A few years later the European project was distorted by the start of the *cold war*, which made it a euro-centric western project tied together with a military alliance that divided Europe in a competitive way once again.

Therefore the opposition of the Italian Left to this project was well founded and reasonable and, indeed, very European. The further development of the Union, reduced to a Capitalist Common Market, introduced a path of European development that has brought us to the present situation.

Federico Caffè was used to argue that it is not possible to cite the goodness of the "Italian miracle" of post-war Italy and afterwards complain about its crisis and stagnation during the following years. Maybe, he suggested, there was not a "miracle" but the foundation of a system that because it pursued inequalities and distorted market structures could only produce crisis and stagnation.

I think we can extend this reasoning to the establishment and implementation of the European Common Market. The three main steps of the "integration" process demonstrate it.

The CAP was the economic and institutional instrument by which the European systems of agriculture production were deformed and transferred entirely from south to north Europe. Agriculture was not conceived as an integrated part of rural societies in the varieties of their natural environment but a separate production activity. The outcome was the death of our rural societies, their villages and cities, and the destruction of the environment.

The Domestic Market destabilized the European production systems imposing the concentration of industry, science and services in the western “core” of Europe. The German “miracle” is born out of this process of concentration and homologation of the European Economy. The European system of infrastructures established since the Nineties aimed for this result, and certainly not to link together all the “continent”.

The rational behind it, argued in the Cecchini`s Report and what folowed, was that the concentration of Industry, regardless of territorial and social problems, would have increased the productive potential of all Europe and the income and wealth gain of it would, of course, be redistributed among all European citizens.

We know that this is not the case, and we knew it also before. Nevertheless trade unions and other professional organizations accepted the bargain, hoping that formal statements about rights (for employment, income, gender, etc.) could protect them against the crude reality of power, which they did not.

What is happening now is still on these lines of competition and division of Europe, not East-West but North-South. That is my second remark to Colitti`s arguments.

The “success” he mentions in building a strong Europe as main actor in the world economy is not the result of the European Project, but its transformation into a third leg of the Capitalist Triad running Globalization.

The stronger ties to the US after the end of the *cold war* confirm it, as well as the EU contribution to the Reagan-Bush strategy for the eradication of social-democracy in the north of Europe and of communist and socialist parties in southern Europe. The introduction of the neoliberal new Bible has been part of it.

What gave the Internal Market: “a strong impulse to the European economic development, and established Europe as one of the strong economic areas of the world” ?

I think a big question mark must be put here !

The economic and institutional building of the EU that followed the 1992 Internal Market agenda – and the establishment of the Euro – were not "political" mistakes as MC seems to argue, but choices coherent with a strategy and a "Project" different from the Europe we were thinking about.

The present situation is characterized by: (i) a system in the hand of financial groups such as Goldman Sachs, able to colonize by its own people the Italian and European Central Banks and even the Financial Stability Forum; (ii) a political debate dominated by "rating agencies" (all US of course) that should instead be incriminated for "inside trading"; the ECB, an instrument deprived of any political control (is even stated in the *Treaty*), that serves the European "core" interests and it is even unable to contest the most obvious and criminal financial speculation.

Hence a paradox, because the strong argument for the establishment of the Euro, and to gain consensus for it in a country such as Italy, was that the Lira was too weak to resist financial speculation and we would be protected by a European currency. Whereas we see today that small countries, such as Denmark, Sweden, etc, are not exposed to speculations while Italy and Spain are.

About the international role of Europe, it is difficult to trace it. Europe is not important in the development of the main growing areas of the world (Africa, Latin America and Asia) and not even in the Mediterranean where its recently achieved "importance" is something we hope will be soon forgotten. Europe is implementing the neo-colonization plan launched by Obama in his Cairo speech and European countries are participating in it hoping to take part in the "war dividend". Why Italy is participating in it, as a country that already had access to a quite good "peace dividend" (Libya, Russia, etc.), remains to be explained.

But let me enter now the questions discussed by MC about the policy of the EU in the second part of its elaboration. I will try to synthesize some points along similar lines of thought and suggest some different solutions.

The European political project relaunched during the eighties and it was in particular France that pushed for a "single European Market" and a "single European currency". Jacques Delors played an important role in it, with the strategic aims to establish a European pole beside the US, Japan, Soviet Union and China one. Important as well was the idea to contain Germany in the perspective of a future reunification.

The "fall of the wall" could have offered a strategic rethinking of Europe in its institutional and economic structure as well. But the euro-centric and western approaches prevailed again. There was not enlargement of the EU with deepening of cohesion, as Stuart Holland called for in his 1993 report to Delors, but the integration of new countries and areas into a neoliberal common market with a neoliberal agenda.

The line of integration postulated an impossible homologation into something that in reality did not exist (an integrated Western Europe). Therefore among old and new member countries differences remained in term of (i) inflation, (ii) unemployment, (iii) balance of payments, (iv) budget deficits.

These differences of course reflect diverse production systems and institutional settings. Therefore, as any monetary economist knows, the EU area is not an "optimal" currency area.

Convergence has not taken place in key areas such as labor markets where unemployment rates are quite dissimilar (from 4% to 22 %). These rates also reflect the different form and institutions of labor markets, differences in the active part of the population, the varying scale of the informal economy in market structures, differences in the organization and financing of social security systems, etc.

There also are vast asymmetries in balance of payments and suprpluses and deficits with the southern European countries in a negative position that has worsened during the last decade. The reason is that no EU country is able to beat Germany on unit labor costs in manufacturing unless it can control its currency which Germany has been able to do by depreciating the DM in the Euro. On the other side the negative position of the Southern European countries and Ireland is that they do not have a currency to sustain their production systems. Therefore they need to borrow abroad with endless problems for their current account balances. This is the door by which the financial speculation enters into their lives.

The outcome, pointed out by the Danish economist Jesper Jespersen, has been that: “the *convergence criteria* created a false illusion of convergence. The *stability pact* did not create stability. The *European Central Bank* could not control the money supply and one size (the short term rate of interest or euro-exchange rate) did not fit all member countries.”

How much all this mess is due to greed or wrong theoretical assumptions can be discussed elsewhere. Probably they go hand in hand, reinforcing each other.

We can only conclude that what is happening is a matter of political decisions to be taken on the ground of realities that can be summarized as follows:

(i) The Emu is unstable and its pursuit of stability has intolerable social and production costs;
(ii) The Germans are quite satisfied with the present situation and they are going to maintain it;
(iii) Because no monetary union can exist without a political union, we have to reconstruct the two to a level where this is possible and desirable.

Which way forward:

Establish a flexible currency system among European countries based on:

(i) National currency for the countries that already have maintained it (10 out of 27);
(ii) Introduce a new currency for the Southern European countries (France, Italy, Spain, Portugal, Greece);
(iii) Keep the Euro for Germany and related economies that want it;
(iv) Establish a Clearing Union among these currencies and other forms of cooperation

and a special fund to support weaker economies.

(v) Engage the EU institutions in a “war against financial speculation” and its related institutions calling responsible persons and institutions to pay the costs of it.

(vi) In the case of imported speculation, as in the last “crisis” dictated by the US, the EU should pursue criminal charges against speculators in other countries’ tribunals.

(vii) “Conflict of interests”, as in the case of well-known persons who move from public offices to private institutions and vice-versa should not be tolerated.