 (economic and political union is the only answer)

The basic rationale

Supporters of this option say recent experience has provided ample proof that the EU is insufficiently equipped to face current and future challenges, and that it needs to take a major qualitative leap towards a fully-fledged economic, fiscal, financial, social and political union, with a strong European executive ('European government') and legislature (parliament) able to take autonomous decisions reflecting genuine European interests. European integration must overcome the basic contradiction between having a common 'post-national' currency and Member States defending 'national interests'. Potential opposition from some countries should not prevent the 'willing and able' from making a major leap forward, even if this leads to a 'core Europe' including only those countries ready to deepen integration significantly.

Key potential measures under this option

• **To foster and deepen economic and monetary union**
> Having a much larger EU budget funded by taxes levied at the European level, which would be able to decide autonomously what to spend the money on.
> Establishing a European treasury to manage this budget, equipped with unlimited/substantial borrowing capacity and the power to issue European public debt.
> Transferring economic sovereignty to the European level, with a substantial pooling of powers in areas such as taxation, energy, labour, industrial and social policy.
> Giving Europe the power to veto national budgets that do not meet fiscal commitments.
> Establishing a European Monetary Fund (EMF) with more powers than the existing bail-out mechanism and largely independent of national governments.
> Creating a full, genuine European banking union with an independent supervisory system, a single banking resolution authority fully independent from national regulators and a single deposit guarantee scheme

• **To strengthen the EU's political-institutional setting, resulting in much deeper integration:**
> Electing a politically partisan European executive (government) headed by an elected president/prime minister.
> Maximising the European parliament's powers, giving it an equal say in all EU policy areas, the right to propose EU legislation and elect the head of the European executive.
> Electing MEPs via a Europe-wide list of candidates chosen by European political parties.
> Introducing a new procedure for changing Europe's 'constitution'/'fundamental law', with reforms adopted by a 'super-qualified' majority and significant changes put to a Europe-wide referendum.
> Moving to a single European seat in international organisations such as the International Monetary Fund, World Bank, G20 and United Nations Security Council.
> Deepening integration in foreign, security and defence policy, including the introduction of a European foreign minister and moves towards the creation of a 'European army'.

Main advantages and disadvantages

Meeting the socio-economic challenges:

+ Supporters of this option say it is essential to overcome the crisis, fully restore confidence in the euro and avoid history repeating itself. Europe can only address the impact and root causes of the crisis if those who are ready and able to do so move towards full economic and political union. This would create actors at European level strong and independent enough to strike compromises in line with common European interests.

– Opponents argue that it would move Europe in the wrong direction: 'economic federalism' would damage the competitiveness of Europe's economy, a 'transfer union' in which stronger countries subsidise weaker ones would do more harm than good, and the creation of a 'core' or 'two-tier' Europe could strike at the heart of the Single Market. Overambitious attempts to create some kind of 'federal entity' could fail and fundamentally undermine confidence in the euro and the EU in general.

Meeting the political-institutional challenges:

+ Advocates of this option say far-reaching political-institutional reforms of the type outlined above would close the democratic deficit and strengthen Europe's problem-solving capacity, thus helping to restore confidence in the ability of decision-makers to provide adequate policy responses to pressing problems and boosting public support for the EU. More personalised, parliamentarised and politicised policy-making would also stir public interest in European elections and policy-making.

– Opponents maintain that attempting to apply national models of democracy at EU level would not work and would be counterproductive, given strong opposition from most national political elites and citizens to giving Europe more powers and the trend towards considering the re-nationalisation of policy-making in some areas. National democracies are not perfect and having a more technocratic institution like the EU, which is not predominantly guided by electoral pressures, could also be regarded as an asset.

Meeting the societal challenges:

+ Supporters argue that this option would give Europe a new sense of direction and clearly demonstrate its added value, thus helping to create a common vision of European integration and overcome divisions between Member States. It would also reduce the complexity of the EU's governance system, making it easier for Europeans to understand how 'Europe' works.

– Opponents say it is highly doubtful that Member States would be able to overcome their differences and agree on the main features and details of an economic and political union, and that this could in fact create new divisions and lead to even greater tensions between Member States.

Meeting the external-global challenges:

+ Advocates say this option is the only way to counter the risk of gradual marginalisation internationally, because the EU will only be able to speak with 'one voice' and play a key

international role to match its potential if governments are ready to pool sovereignty at Union level and allow a 'European government', represented by a European foreign minister, to conduct a truly common foreign and security policy.

- Opponents say this is unrealistic: Member States will never give up their sovereignty over issues of 'life and death'; i.e. foreign policy and especially security and defence. Some also argue that a single European seat in international institutions would not strengthen, but rather reduce, Europe's weight and manoeuvring power.