



**The Euro American Colloquia on Citizenship
6th edition**

**THE SINGLE CURRENCY AND EUROPEAN CITIZENSHIP:
AN ASSESSMENT**

Seminar - 3rd June, 2009

Pisa, Sant'Anna School of Advanced Studies

In partnership with:



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Summary*

On the occasion of the sixth edition of the Euro-American Colloquia on Citizenship, FONDACA promoted, in partnership with the Pisa Sant'Anna School of Advanced Studies and in cooperation with the Representation in Italy of the European Commission, the seminar on “*The Single Currency and European Citizenship: an Assessment*”.

The seminar focused on the relationship between the European Single Currency and the process of European integration, with the specific aim of assessing the impact of the Euro on the construction of Union citizenship. To this end, various factors, related to the multiple links between the European Single Currency and Citizenship of the Union, have been taken into account. Among them there can be mentioned the construction of a European identity, the facilitation of the freedom of movement, the protection of consumers' rights, the strengthening of economic interdependence and the relations between the actors of the European economic space, the enhancement of Community institutions.

The seminar was supposed to share existing knowledge coming from economy, political science, sociology, law, social psychology, public opinion studies, and identify possible further multidisciplinary research activities. The meeting was organized around some presentations coming from different disciplinary standpoints and open discussions.

The convening institutions' representatives acted as facilitators, opening, closing and chairing the discussion.

Main speakers:

Stefan **COLLIGNON** - Professor of Economic Politics, Pisa Sant'Anna School of Advanced Studies;

Pier Virgilio **DASTOLI** - Director of the Representation of the European Commission in Italy;

Hugo **KAUFMANN** - Professor of Economics and Director, European Union Studies Center, Graduate Center, City University of New York;

Arianna **MONTANARI** – Professor of Sociology, Faculty of Political Science, La Sapienza University of Rome;

Nando **PAGNONCELLI** - Chief Executive Officer, IPSOS srl;

Daniela **PIANA** – Professor of Political Science, Faculty of Political Science, University of Bologna;

Cesare **PINELLI** – Professor of Public Law, Faculty of Law, La Sapienza University of Rome;

Vivien A. **SCHMIDT** - Jean Monnet Chair of European Integration and Professor of International Relations, Boston University.

Chairing and opening remarks:

Marco **FREY** - Professor of Economics and Management, Pisa Sant'Anna School of Advanced Studies;

Giovanni **MORO** - President of FONDACA.

* This summary was edited by Roberto Ranucci, FONDACA.

Morning Session

Giovanni Moro: Presentation of the Seminar and Opening remarks

- The Sixth edition of the “Euro-American Colloquia on Citizenship” program

The seminar is part of a long-term program which started in 2003 because of the lack of reciprocal information and knowledge on citizenship-related issues between Americans and Europeans. The very purpose of the program is to help filling this gap. The program consists in inviting European experts in the U.S., especially in Boston, New York and Washington D.C., to speak and discuss about European experiences and developments of citizenship, and vice versa. The events organized in the framework of the program – at the moment more than 30, involving about 150 scholars, experts, policy makers, civil society leaders and entrepreneurs – have been focused both on the general topic of citizenship and on specific topics such as the relationship between civic and political participation and the corporate citizenship approaches and practices.

- The Euro as a social experiment

Since its introduction, the Euro was considered as one of the most relevant innovations in the “European experiment”, both by pro- and anti-EU points of view, as well as by external observers and interlocutors of the EU construction. Well before its introduction, the single currency was defined as a vehicle of European identity and citizenship (European Commission, 1998). Just after the Euro was introduced, in 2002, the New York Times noticed that it was a symbol of the reality of the EU experiment in shared sovereignty. On the other side, skepticism and suspicion against the EU were focused on the single currency since the beginning. For the common citizens, the introduction of the Euro implied a deep cognitive and operational revolution. Moreover, it meant to bring in pockets a European essential. The scientific community interpreted the circulation of the Euro as a huge social science experiment (Risse) and noticed that the single currency had become one of the most salient identity marker for the EU (Bruter).

- After ten years

After ten years, pros and cons of the introduction of the single currency have become to be analyzed. In a recent comprehensive report, the European Commission has put on the pros side the change in macroeconomic environment, low inflation, macroeconomic stability, economic and financial integration, protection from adverse external developments, fostering of member countries' economies, the fact that the Euro is the world's second currency, the construction of a pole of stability for Europe and the world economy, the development of a sound structure of economic governance, 16 million jobs created. On the cons side, the Commission noticed a too low potential growth, lasting differences across countries, the lack of a clear international strategy, a poor public image. The EC report notices as new challenges for the single currency factors as globalization, food & energy prices, rapid ageing of population. Today, we could add that the present global economic crisis is challenging the Euro not only in economic terms, but also in terms of citizenship-building process, which is the focus of this seminar.

- Citizens' opinions on the single currency

As for perceptions and opinions of the citizenry about the single currency, information coming from a 2005 EOS Gallup Europe report can be mentioned. According to this report, since 2003 the opinion on the problems raised by the Euro among the citizens has improved and it is not only the Italy's case. Advantages in terms of practicing free movement inside the European Union and the possibility to compare prices in the Euro area have been noticed as well. Generally speaking, in the countries

belonging to the Euro area, there is a positive opinion on the possible effects of the extension of the single currency to new Member States. Moreover, the rate of people declaring that they are totally informed about the single currency has highly increased. On the other side, in negative terms, the most concerning risk noticed by the citizens of the new Euro Member States is the increase of fluctuation. It should be noticed, however, that this is a kind of “finger-and-moon” situation, and one of the objectives of an in-depth reflection is to understand if the single currency is the finger or the moon. According to the mentioned report, the Euro itself has become a mental calculation tool for consumers. There is hope among the citizens of the 12 Euro Countries to extend the use of the single currency to new member States. On the other hand, among the people in the new member States, there is mainly fear of the risk of abuses, cheating of prices in the change over and increase in inflation.

- *A multiplicity of meanings*

In this seminar we have to deal with the Euro taking into consideration its multiple meanings. We should indeed distinguish at least four different meanings of the single currency in relation to citizenship of the Union: a social meaning, that is shaping a common identity and a sense of pride, especially comparing the Euro with the US Dollar; an economic meaning, linked to the interdependence among citizens; a political meaning, since the Euro can be recognized as a shift in sovereignty from Member States to the EU; a symbolic meaning with a double side (on one side, the Euro is a comparative symbol, especially in coins which show national symbols, and on the other side, an integrity symbol especially in bank notes which represent something new and not existing in the national heritages).

- *The Euro and European citizenship*

We have also to face a sort of paradox. On one side, the Euro is obviously connected with European citizenship and this is certainly one of the main reasons why the European Union launched the single currency. On the other side, there is scant scientific literature on the topic of the relationship between the single currency and European citizenship. My impression is that there are at least two reasons for this paradox. The first is the priority given to macro vs. micro approaches (e.g., inflation and exchange rate vs. job opportunities, livelihood and welfare), thus underestimating the impacts of the single currency on the everyday life of common citizens. The second reason is the well-known suspicion of scientific community towards EU “market citizenship”, devoted to consumers, workers and travelers instead of politically empowered and active citizens. Both these reasons lead to a lack of attention towards what the European citizens actually are, instead of what they would be from different points of view.

- *Topics to be dealt with and the purpose of the seminar*

A number of topics that the seminar should consider come from the above remarks. Among them there are the following:

- In which ways and to what extent the single currency is correlated to European citizenship?
- What is the relation between the symbolic and technical sides of the Euro with regard to European citizenship?
- Has the establishment of the single currency fostered or weakened the EU citizenship-building process?
- What are the main cognitive and operational effects of the Euro influencing the practice of citizenship in Europe?
- How the attitudes towards the Euro at national level are related to different/divergent visions of European citizenship?
- How the global economic crisis affects the relation between the single currency and citizenship of the Union?
Is it a finger-and-moon case?

Other relevant topics should emerge from the discussion of the seminar. The purpose of the meeting is indeed not to reach a conclusion but rather to share suggestions, information and knowledge, thus assessing the multiple relations between the single currency and European citizenship. Moreover, a research and debate agenda coming from the seminar could be shared with scholars and policy

makers.

Hugo Kaufmann: *The Single European Currency and European Integration. Is the Past Prologue?*

The purpose of Prof. Kaufmann's presentation was not to predict the evolution of the European Monetary Union (EMU) but to discuss some of the main factors that have contributed to the successful evolution of European integration and especially giving the European Union citizens something concrete to identify with the EU.

- "The long and winding road" to European Monetary Union

The overture to "the long and winding road" to European Monetary Union continuously demonstrates how tightly economic and political dimensions have been intertwined at all turning points and nationalistic as well as "EU-centred" elements frequently compete with one another. Additionally, there are turf wars between European countries and European institutions as there are conflicting issues such as national sovereignty versus community aspirations and a balance cannot always easily be found. European monetary integration can be understood only by combining certain economic aspects with a not-so-hidden agenda where the roots are going back to at least the Second World War and the construction of the post war International Monetary System (Bretton Woods / International Monetary Fund). Particularly, the emergence of the central international position of the dollar that had given the U.S. among others, an "exorbitant privilege". Things got more complex during the 1970s, when the pegged-rate Bretton Woods system collapsed. This gave birth to the Single European Act (SEA) to create a Single European Market (SEM) with the Single Market Program (SMP). Parallel with the SMP was the transition to a European Monetary System (EMS). Jacques Delors, then President of the European Commission, decided that in order to have a successful "single market" transparency of prices was needed and that it would be possible only with a single currency; he reverted back to an earlier idea, Pierre Werner's 1970/71 single money idea for the EU. Such a single currency would have, among many other benefits, also the benefit of one day becoming a serious alternative to the dominance of the dollar.

- The Euro and the economic crisis, the present

The Euro has been an overall success, even though various countries have been differently affected by membership in the Euro zone. It is clear that outliers who have been badly hurt by the present debacle will be thinking that the Euro would have been their *deus ex machina*, while some members might have different feelings about their own situation. The most recent cases (in June 2009) are Spain and Latvia. While expectations were high initially and generally very positive during the good years, until early 2008 in Europe feelings turned significantly down with the onset of the financial economic crisis. The mood was negative as the forecasters projected an extended period of decline and suggestions were that no recovery was to be expected until 2010 and as far as 2013. An interesting division exists between viewing one's own country in comparison with the rest of the EU and many countries believe that their own country is worse off than the EU as a whole. Consequently, citizens are not seeing themselves as being "in the same boat" with the rest of Europe and there is also no clear division in performance between EMU members and the outliers. It is definite that the successes of the past decade in EU integration are not guaranteed to persist in the next decade.

- The Euro and the economic crisis, the future

What is important to think about is: What has been happening to the Central Bank Independence (CBI), both in Europe and in the U.S.? CBI was one of the cornerstones of EMU and is anchored in the Maastricht Treaty and subsequently the ECB and the Federal Reserve could not buy Government securities or bail out Governments. Things have drastically changed and the dire circumstances

worldwide have perhaps required ignoring those laws that were instituted under calmer conditions. However, once credibility is lost it is very difficult to restore it. So, we have two significant breaks with the past loss of the CBI and the violations of the Stability and Growth Pact. The Federal Reserve had a long battle with the Treasury after the Great Depression and World War II to gain independence in the early 1950s which is now lost and we probably are not going back to the *status quo ante*; violations of the SGP that had occurred prior to the global meltdown of 2007-08 occurred with impunity. If the countries that have violated the SGP do not quickly return to their precepts, what will be the consequences of that for demanding fulfillment of the prerequisites of the candidate countries? Last but not least: what will happen with EU enlargement? Is it still desirable? Should we give the EU a chance to digest what it has swallowed during the last half-decade, decade or so? One thing is clear: predictions are risky, especially when they deal with the future and randomness is alive and well.

At the end of the speech, the following remark was made:

- *As concerns the role of monetary policies, it's necessary to say that there are different economies in the same Countries (i.e. Wales/England or South/North Italy). So the link between politics and economy is evident for the currency and probably the problem in making a European Institution is that we keep having 27 economic policies, so we have one market, one currency, but we don't have one economy. Maybe this is the problem rather than the fiscal exchange rate.*

Answer: I agree with this remark but on the other hand I have to say that Europe is very fortunate not to have “one Economy”: otherwise it would be impossible for each country to deal with its internal matters in an individual manner. Furthermore, in this situation the ECB should be allowed to enter into some of the economic fields such as the policies of each Government. In my opinion, it would be politically unsustainable and we have proof of that by the present economic crisis which has obliged the ECB to escape from its policy framework, with the result that European politicians have attacked the European Central Bank even if the Maastricht Treaty gave all the safeguards to maintain the ECB independent from every Government.

Stefan Collignon: *The democratic renewal of Europe*

Prof. Collignon's presentation focused on the issue from the standpoint of a single-handed economist, as he made clear at the beginning of his presentation.

- The success of the Euro (and its misperception)

The Euro has taken us to a new level of European integration and this new level requires new responses and new steps. The Euro has achieved price stability which is its overall purpose by definition and we have seen the average rates of inflation during the last ten years, of 2% which is better than any other European inflation performance over the last half century, including Germany. However, it is also interesting to see that ordinary citizens have misperception about the Euro. This is related to the fact that, with the introduction of the Euro banknotes and coins, there were certain adjustments in relative prices, but the general price level set by the ECB has been stable within 2%. According to a new price index by Eurostat, the Frequently Out of Pocket Prices (FROUP), which includes little everyday expenses like espresso, parking ticket, bus ticket, etc., prices have increased; but for the NON Frequent Out of Pocket expenses, prices have on average remained the same or have decreased. Since the introduction of the Euro, the macro economic performance has greatly improved, giving a positive contribution to employment and general standards of living. We also find in the present economic financial crisis that the Euro has been guaranteed for greater security and reasonable stability and that the overall impact of the crisis is less than it would have been in another situation, as we have seen in the member States that are not part of the Monetary Union, in particular

Eastern European countries. The Federal Reserve System in America has run the world economics into the ground by the creation of excessive crediting, while the European Central Bank has maintained a much more conservative and moderate course, keeping real interest rates positive across the last decade. The ECB is not subject to the same limitations and I believe that it happened because it is a unified institution that acts for the Europe area as a whole.

- *Citizenship as the crucial element for European integration*

The modern idea of State and citizenship would say that the State belongs to the citizen, while in Europe we are used to say that citizens belong to the State. It could be said that the need to preserve this identity creates obstacles for an efficient policy making at European level. European integration has produced a large and increasing scale of public goods and the European citizens are the owners of them. Therefore, the government can be considered as the agent and the citizens as the sovereign. From this point of view, the issue of democracy becomes the key issue and the citizens should control governments as agents. But, if we focus our attention on the European political system we can see that it's not true that "we have a choice" (as written in a big poster in front of the European Parliament in Brussels, in view of the elections for the new Parliament): the spokesman of the Socialist Party group of the European Parliament has declared that even if the socialists would become the strongest parliamentary group in the next Parliament, they will re-elect Mr. Barroso as the Commission President. So, we have no choice because the man who stands as the incarnation of the neo-liberal Party System is also going to be elected with Socialist votes. A typical phenomenon of the "no choice system" is the management of this *ancien regime*-style of European public policy, which is dominating policy making in Europe. In fact, the greatest challenge the Euro has now posed to the European integration process is putting citizenship in the core.

- *For a pan-European economic policy*

We know from political and economic literature that collective action problems increase with the deregulations bringing subsidiary decision-making down to lower levels. What we find is that more and more partial interests are blocking decision making processes because individual member States or decision makers calculate that so they could achieve some kind of partial advantages and this is contrary to the overall improvement which is of general interest to the European Union and its citizens. The way to overcome this might be to centralize some discussions more to the European level, in as much as they are of relevance to all European citizens (i.e. fiscal policy). In the past, European Integration was mainly about creating synergies so that everybody could see that things were going in the right direction so that they would agree, accept them and that would give output legitimacy to European integration. If we produce the right policies, the welfare of all citizens would go up but with fiscal policy this would no longer be the case. If every member State would adhere to the stability in growth pact and balance their budgets, then interest rate imbalances would be low in the Euro area; but then, for example, if Sarkozy had an interest to borrow at such low interest rates so it would everybody else. For these kind of decisions, you need a unified centralized European government, not just an economic one, as the French have often argued. You need a proper government where citizens can debate the issues in a deliberative process prior to voting and this could contribute to the emergence of the pan-European preferences.

At the end of the speech, the following remark was made:

- *Comparing the U.S. FED and the EU ECB economic policies, you gave a completely positive view about the Euro and you sustained that the U.S. economic policies are irresponsible. However, in this case, the U.S. gets all benefits from its irresponsibility, while the EU "pays" for it because of its conservative policies.*

Answer: Comparing the U.S. and the EU economic policies, I can say that it is too early to say who is going to win. Yes, there are problems in the U.S. and it is true that it got lucky for a long time; but European politicians were bystanders not because of the ECB and the Euro, but because they were incapable of making any kind of reasonable economical decision other than monetary ones. The protectionist tendency damages single market decisions and so politicians are damaging citizens. There is a kind of blockage all through Europe and it has ruined success for the past half century. Democracy will likely collapse and political authorities are to be blamed for it.

Daniela Piana: Sovereignty at stake? The symbolic consequences of the single currency in the EU

Prof. Piana's presentation was about sovereignty. She considered the Euro as a test on the identity and legitimacy of the European Union and in particular on how the national States and democracies are facing some difficulties to assess the functioning of the EU.

- The single currency as an institutional experiment

We can say that the single currency is an Institution based on a constitutive act, so it can be thought of as a sort of social artefact. Definitely, the introduction of the Euro in 1999 was a major step in the European integration and if we look at the outcome of that introduction, we can simply look at its use in the daily life by the citizens, to surely say that it has been a success. One of my questions is if this is the right way to obtain sovereignty: can we say that as the European Union has a single currency then there is the possibility to have in the very near future a sovereign State?

- The single currency as a way to European identity

According to Furio Cerruti, the concepts of legitimacy and political identity are tied together: as we use Euro in our daily life this is part of our identity, being Europeans, and this is legitimate because we use it without any dispute. What kind of identity are we speaking about when we refer to the use of the Euro? I think that the history of the single currency is a good test to check if the identity has been built through the diffusion of the single currency as an economic identity or as a political identity. In other words, is the kind of sovereignty raised at the transnational level of governance thanks to the invention of the single currency an economic sovereignty? Moreover, the issues of political sovereignty and political identity are different. It is possible to say that the single currency is related to a system of governance (the economic decisions about the European monetary policy are taken within the ECB), but on the other hand, as Professor Collignon has stated, we cannot say that we have a political identity involved in decisions associated with the monetary policies of the European Union. So, in my opinion, we are still in the realm of the economic identity, with economic sovereignty delegated to the European Union. In this respect, since we use the single currency, we are witnessing the core of the European integration that is still about monetary and economic issues. That is where we have arrived so far and I do not think that the monetary policy is fully responsible towards citizens because citizens are not totally involved in the decisions that are taken on the single currency and the monetary policy. In this regard, I think that the political dimension is much weaker than the economic one and it should be linked to the active citizenship.

- The Single currency and sovereignty

Although we have the single currency, it doesn't mean that we can talk about the EU as a sovereign State. In fact, it is true that we have a system of governance associated with the monetary policy that has been invented to support and to deal with the single currency and the single market, but in the same way I think that, for the moment, what we have to accept is that the sovereignty delegated to the European Union is still differentiated on the basis of the various policy areas in which the EU is

active. Even though we have more sovereignty at the European level in some fields, it is more economical than political and we have to differentiate the policy areas from the dimension of the sovereignty and this is what the history of the single currency is telling us.

- *What is the “story of the single currency” telling us?*

The Euro as a policy instrument has certainly strengthened the market dimension of the EU. It has been a first step towards the shared sovereignty between a nation-State and the EU and it proves that sovereignty is not a monolithic or monocratic entity, but it should be considered as a compound. If we accept the single currency as an indicator of sovereignty, then the EU will reshape its borders or its own sovereign power by issuing the Euro. So, it seems to me that the adventure of the single currency, that is, by the way, a success, gives some new lymph to a functional vision with some side effects: a) definitely the single currency draws borders as if the EU were a State; b) it defines a common language for the exchanges; c) the monetary policies of the European Central Bank are going to be handled together and there will be a supra-nationalization of monetary policy and governance of the single currency. In this regard, I think that for the monetary policy of the European Union and its governance, single currency included, we have a sort of legitimization since we have accepted the idea that a public good is legitimate if it is used by people in their daily life. So, in this respect, the traditional concept of sovereignty which we have used so far to speak about traditional national State, is not very useful in order to understand not only how the EU is today, but also how we can expect that the EU may evolve in the near future.

At the end of the speech, the following questions were made:

- *Do you think that the strong negative opinion of the citizens towards the single currency can be considered in any case an element of European identity even if in negative terms?*
- *Would you give us more clarification on the issue of the currency as a language? It is very common to state that the Euro will never become something serious because of the 23 languages. You have shown that the currency is a language. Can it be considered in a sense the most common language amongst the Europeans?*
- *We have a single currency that has had effects beyond the economic dimension. Are there other dimensions of European citizenship, which are not contained in the economic dimension? How do you put together sovereignty and the importance of the single currency?*
- *What identity do we have or need when we are using the Euro? You said that sovereignty has been delegated at the European level but don't you think that what has been delegated is actually power? It's important to specify the distinction between sovereignty and power, because sovereignty authorizes power and traditionally, looking at the European history, the sovereign authorized the power of his ministers and he received that authority from God. Modernity started after the French and American revolutions, when it was established that the citizens have to legitimize the government. From this point of view sovereignty is a monolithic entity, while the power could be delegated to various levels.*

Answers: I think that to have a negative opinion on something doesn't necessarily mean that it hasn't been integrated in a personal identity. To make it part of your identity you don't have to be positive about it, but what you need, instead, is to speak about it, or think through the categories that are related to it. I think that the definition of legitimacy put forward by Furio Cerutti which says that something in the very end is legitimized if it is used in daily life is very important. For example, in Italy nowadays we often compare our salaries with our colleagues in other European countries and doing so we think in terms of Euro. It is true that the introduction of the Euro has been responsible for a sort of worsening the conditions of life (increase of prices, etc.) but I believe in fact that the national governments and citizens use the Euro each day as a point of reference. Traditionally, we say and read that the creation of a nation-State is associated with at least three necessary conditions: 1) having a

single currency; 2) control of the territory and having a centralized administration for justice; 3) having a common language. This last question is trickier: there are States where there are languages that co-exist with the official one and I think it would be important to establish the same homogeneity and normativity that does exist between the spoken and the official languages to the State and the currency. Even if the currency is much more an artifact than the natural language, nevertheless it enables exchanges and interactions amongst the people (although impersonalized) in a very successful way. In my view, this is the best that can be achieved in such a differentiated space as the EU, where it is much more difficult to introduce a common legal code or a common language than a single currency. Traditionally, sovereignty is associated with the idea of a national sovereign State and when we use it as a historic concept, we bear that in mind. The Euro shows that in the EU the issue of sovereignty is dealt with in a different way, which is no longer related to the traditional Weberian view and we need to test these categories (control of the territory, language, etc.) that are still being used. Certainly, the currency is still associated with sovereignty but you do not have a sovereign State without power, competence and responsibility only because of the currency. As far as economic citizenship and political citizenship is concerned, the single currency is telling us something about a very strong element of the EU, which is the commitment to have a full integration in terms of economic and monetary policies. We can see a full development of the integration process because you have an economic integration, a single market, a monetary policy and you have a single currency. In other fields, we can see that the process is at a different stage and a good example is the social policy. To conclude, I think that the Euro has definitely side effects with other policy fields. A problem correlated to the single currency is about the low accountability, transparency and inclusiveness of the European system vis-à-vis citizenship. What I hope is that we will have more political integration but not in the sense of a national State.

Pier Virgilio Dastoli - *Discussant*

- The birth of the Euro, a political decision

The first decision on the Euro was made in the Maastricht Treaty, where it was decided to launch the Euro in three steps. The last step was in 1998 and it is clear that the decision was not economical but political and juridical. It is important to remember in what conditions this important political decision was taken: in 1994, there were only five Members foreseen in the Euro zone without Italy and Spain. In my point of view, this was because in Italy we had the first Berlusconi's government and the German government was not convinced that it had the capacity to maintain the commitment towards pending deficit. One year later, which was the year of pan-Europe, after the governments changed, Italy and Spain were included. This was obviously a political decision, and not for economic reasons only. The decision of opting out taken by the United Kingdom and Denmark on the Euro was both a political and juridical decision and we had to accept that. The Euro has to be considered as part of a global European Union, not only as a single currency but as a global identity of the European citizenship and this is going to gradually increase.

- Euro as a success

Ten years of the Euro have shown a success and I think that it is not too early to say it and that in the last decade we have seen the benefits of the single currency: we have consumer benefits concerning lower costs, we have price stability, single financial market and benefits concerning the single currency at the international level as well as identity because when we go outside of the borders having Euro in our pocket we have the strongest identity. Of course we have to take into account that, after ten years, the economic situation in the world is changing. The Euro is today a guarantee in the present financial crisis and probably without the single currency the EU would have paid very high costs for the financial cuts, not only the Euro zone but generally speaking the EU. So, the Euro is showing us

that it has the capacity to react, but this is not enough: we have to start to think about the future and we have to take into account the weakness of the European single currency. It refers to a monetary union and not to an economic union and we have to understand how to assure the surveillance on the financial system. In my opinion, we have to keep the financial provision with the European Central Bank (as the United States does with the Federal Reserve) and not create a Council for the macro surveillance as the EU Commission has proposed, since it is too complicated. We have to think about the transparency of the international financial bodies because that is very important.

- *Public goods and European identity*

In order to have an economic and not only a monetary Union we must manage all the public and common goods (inflation, exchange rates, etc.), and therefore we would need a different budget. In the United States, 20% of the budget is for the growth of national products, while in Europe it is 1%; so I could ask for a swap: “The EU gives the single market to the U.S. and the U.S. gives their budget to the EU”. This could be a condition to create common goods in order to increase the capacity of building European identity. The situation is complicated, especially because the Europeans have a negative approach to the institutions that introduced the single currency: only 50% of trust in the European Parliament and an average of 16% in national parliaments, 14% in national governments and 13% in national parties. It would seem that European identity is stronger than the national one, but maybe this seems rather a symbol of distrust in the political institutions. It is a matter of increasing the common goods, which is very important, and also having a European government that be more than a governance of the EU: the government is an institution and is strictly connected with the issue of European sovereignty. I remember that when we started the work in the Convention chaired by Mr. Herzog on human rights, Herzog proposed an article “A” where he wrote that “*European sovereignty belongs to the Europeans*”. Maybe that European convention forgot about this article since the problem of European sovereignty exists as we have a lot of matters in which national States lose their sovereignty. Therefore, it is a question of giving back the sovereignty to the national State (which sounds very stupid), otherwise giving it to the EU. To conclude, the aim is to create a European federal State and not a European super State because a government is a part of a Union federation and you can have a Euro government only in this case.

Afternoon Session

Vivien Schmidt: In the light and shadow of the single currency: European citizens identity, political citizenship and social citizenship

Prof. Schmidt provided an overview of the positive ‘light’ and negative ‘shadow’ aspects of the single currency, European citizens identity, political identity and social identity.

- *Euro and Citizen Identity*

We can consider in the “*light*” side of the Euro the fact that the Euro is a symbol of common identity, that unifies countries and creates a common sense of belonging with unity of the coin, on one side, and diversity on the other. Furthermore, the Euro zone has a comfortable belonging, especially since the economic crisis and the EU process in doing the Euro helps reinforce being European (small grants programs). The ‘*shadow*’ aspects of the Euro are the following: a symbol of loss of identity for some Member States (e.g. Germany), disembodied bridges on Euro banknotes, negative economic impact (e.g. Italy / The Netherlands), diverse impact on identity and creation of dividers between Euro zone members and non-members in the 27 member-States (i.e. UK/CEEs). So, the Euro does create identity; but how do the member States identify themselves with the Euro? For example, for Italy and

France identity has increased because the Euro has given them stability, while for Germany the single currency has represented a loss of the great identity given by the Deutsch Mark. On the other side, the Pound is already an international currency and it makes very difficult to have EU identity and related leadership. A serious analysis would be done on each of the different countries to see what this identity means for each of them.

- *Euro and Political Citizenship*

Scientists say that, as a non-majority institution, ECB is legitimate because it ensures credibility of the Euro outside, as international currency through its independence, and inside, through its effectiveness. It's a good – a *light* – argument because everyone needs a non-majority institution that has nothing to do with politics, able to increase political citizenship and tie governments' hands. In fact, governments are used to “play” with monetary policy especially before the elections to avoid from being judged negatively for their governance performance whereas if the ECB could manage to not allow this, it would be a way in which it would be possible to improve citizens' power and governments accountability. With regards to the *shadow* side, as the ECB is a non-majority institution and the most independent of all central banks because it is not controlled by any political authority (if you look at the other central banks you will see something political going on), it could be definitely more transparent to the public. The problem with the ECB is that it doesn't know how to do even if it wanted to. Therefore, for many others, ECB inappropriately ties government hands; it undermines input legitimacy coming from the democratic political control of voters on their governments and there's no opening to 'active citizenship', in the sense that in the ECB *modus operandi* there's not just democracy and government *by and of* the people, but also no *with* the people.

- *Euro, citizenship and democracy in a time of global economic crisis*

On the positive, *light*, side we can say that the Euro is the best example of output democracy, that produces beneficial results and that increases the view of the EU governance as a source of legitimacy for the member States. Whether it works or not for European economies, there is a feeling that by working together as part of a common project (especially for Member States in trouble) the Euro zone membership will be a shield. On the *shadow* side, if the Euro doesn't work and the ECB doesn't do things properly, that would increase the sense of need for more input (i.e. political involvement by the citizens and governments) and the sense of national loss of control over national economies, thus reducing the macro economic instruments. Whether the Euro works or not, it would create a big gap between insiders outsiders of the Euro zone: if we look at what we got, we have Latvia, Estonia and Hungary having to go to the IMF for support. This may even happen in the Euro zone as well with different impacts on Member States, for example Germany versus Italy and Spain on government borrowing.

- *Euro and Social Citizenship*

As for the *light* side: the Euro produces price stability and international credibility and helps to protect citizens' pensions, savings, etc. During the present economic crisis, there has been a coordinated action by ECB with other central banks which has already provided a good response in the initial global meltdown. The criteria of this delayed Growth Pact help ensure that governments put their national economic house for the benefit of all citizens, business and labor. On the *shadow* side, the European Monetary Union (EMU) indirectly exerts downward pressure on welfare systems, pushing for budgetary austerity since the 1990s. This is why the welfare state needs to be reformed, but EMU's requirements on deficit put much pressure on the welfare state to rationalize it. The Stability Growth Pact (SGP) is not flexible enough and is too focused on inflation and not on unemployment. There is a different impact of the common currency on states that have a high level of inflation (Ireland, Spain) than on the others that have low level (Germany). Moreover, the EMU, because of its

link to globalization as neo-liberal plot tends to reduce generosity of welfare state and power/protection of labor.

- *Conclusions: How can we make the shadow lighter?*

I have a few ideas: why not create a European Monetary Fund (EMF) similar to International Monetary Fund (IMF)? Basically everyone acknowledges that you need action if any Euro zone member becomes insolvent; at the same time, we need to reduce the sense of the economic iron curtain, in particular for CEE countries because IMF conditions of one-size-fits-all are the opposite of what they need. So, if you have the EMF you could tailor it to European specificities and increase the sense of social solidarity across EU as well as identity. My second proposal is to rethink the EMU criteria (Stability Growth Pact) in light of the economic crisis. What deficit level would be appropriate for an established currency? Maybe some of the economists here today can tell me the answer to that. What about rethinking Euro zone membership? It is not only a matter of *in* or *out* because you could also have a *graduated membership*. How about changing the admission criteria for new Euro zone members, and changing the nature of membership? And also, would it be possible to create more political accountability for ECB? More 'economic governance' would legitimate more centralization of EU policy and if the EU had more power and control it would need more economic, if not political, government.

At the end of the speech, the following comments were made:

- The role of the European Central Bank: it should be the European institution mainly concerned by the international crisis.
- An obstacle for the creation of the European Monetary Fund is that it would have to be financed by the International Monetary Fund.

Answers – As concerns the role of the ECB, I think that, as it is now, it is out of a European public sphere, so I think it's necessary to rethink the role of the European Central Bank, maybe with less independence from the European governments or more coordination with the European parliaments. As concerns the European Monetary Fund, I think that it has to be financed, but it would not be a waste of money for the International Monetary Fund because it would be with the same money that the European institutions already have.

Cesare Pinelli: European single currency, citizenship and constitutional developments

Prof. Pinelli, constitutional law scholar, focused on the rights and duties provided in the EEC Treaty.

- *European citizenship, two different dimensions*

Moving away from the fact that the status of European citizen is automatically acquired, depending on the citizenship of a Member State, the relation between the single currency and European citizenship is far less evident, due to the absence of this connection in the European treaties. But not all the legal scholars accept this point of view as they not consider the treaties sufficient to reconstruct European citizenship, and state that further elements need to be taken into account. From this point of view, which is mine too, citizenship must be considered as part of a process of progressive definition of the EU identity and even the function of the single currency needs to be investigated in light of these elements. An analysis of the Treaty's provisions leads us to the assumption that the European citizenship is characterized by two distinguished dimensions, namely the transnational and the supranational. The transnational dimension is older and far more consolidated than the supranational, as far back the foundation of the EEC as grounded on freedom of movement for persons, goods, services and capitals. The Maastricht Treaty labelled under the wording "citizen" the bundle of rights

which the European Court of Justice had already deemed inherent to the status of the citizen of a certain member state working in another member state. The supranational dimension of European citizenship appears more fragile and problematic than the transnational one and the Treaty provisions are far from exhausting the rights which are likely to be connected with the supranational dimension of European citizenship.

- *The asymmetry with national citizenship*

Despite the increasing judicial protection of citizens' rights that has occurred in the last decade, European citizenship remains a difficult objective to achieve. Where does the source of this difficulty lie? Why, when confronted with the national one, European citizenship still appears a pale figure? Attention needs to be drawn to the persistent asymmetry between the enormous impact of the EU decisions on citizens' lives and expectations on one hand and the representation of politics, which is still largely positioned within the borders of each member state, on the other. Such asymmetry persistence is due to the interest of national governments and political parties in leaving on the EU the burden of solving problems which appear politically intractable at the national level, thus threatening their own electoral consent. The fact that the European political decision-making depends largely on action by national governments and representatives is therefore well hidden behind the image of the EU as a bureaucratic or technical entity, detached both from popular feelings and from political passions, which characterized it from the beginning. The single currency issue is an important piece of this picture because the Euro immediately acquired a crucial role for the single market development, and, contrary to some expectations, had a positive impact on the certainty of market's exchanges. It might also be inferred that, without the single currency, the 2008 global financial crisis would have brought to collapse the economy of the Euro zone's member states. Nevertheless, they are far from accepting limitations connected with the single currency, which would weaken their power over issues decisively affecting the relationship with their respective electorate, including taxes.

- *The paradox of the Euro*

Citizens tend to perceive the Euro as the most powerful symbol of a European technocracy wholly detached from their own interests and it is not fortuitousness that, once submitted to referendum in Denmark (2000) and in Sweden (2003), the adherence to the single currency did not achieve the majority of voters. The popular support for the national currency, viewed as a symbol of national identity, became stronger than economic considerations. Nevertheless, the single currency is still the most powerful landmark of supranational integration and corresponds to its point of no-return, being inextricably connected with the single market. In other words, the "paradox" of the Euro is the contradiction between its good performance and its scarce popular support, ultimately reflecting the same gap between reality and representation affecting the EU at large. Once again, we are confronted with the lip-service characterizing the attitude of the member states towards the EU. It is this attitude which inevitably biases European citizenship, rendering artificial the claim for a 'European identity'. In this respect, a longstanding commitment would of course be required by groups, associations and networks, founded both on the delivery of information about the present, and on a thorough comprehension of the challenges which a democratic supranational organization as the EU is expected to meet in the years to come.

At the end of the speech, the following questions and remarks were made:

- *What about the possible relationship between the introduction of the Euro and the pressure for a more accountable political system?*
- *In your point of view, we have representation but we don't have taxation, we have a Parliament but we don't have a budget. This could remind us when President Ciampi said that the Euro was, since the beginning, a political enterprise created without any connection between the economic and the political*

governance and as we know a federal institution as the ECB and not a federal government was founded. This in fact is the unbalance connected with the birth of the Euro that is still characterizing the Euro zone.

Answers: I think that, for the moment, with the single currency the situation is worse and the gap between accountability and power has increased because we now have a single currency on one hand and a ridiculous budget on the other. I simply think that the explanation is that member states don't want to be accountable because they are afraid to be linked to their electorate's losses. The point is that it is nonsense speaking about a European citizenship in those circumstances, because citizenship cannot be considered out of the political dimension and this dimension, as I explained, is insufficient especially on the necessary language of rights' side. I think that the Euro is a fixed point, in the sense that it is not possible to think that the member states will give up the single currency because an economic and political collapse would happen and they want to keep the situation as it is. So, the question is: how long would this situation be sustainable? I think that until citizens are misinformed and continue to think that European institutions are economic institutions, political decisions will not be taken.

Arianna Montanari: *The construction of European identity and the role of the single currency*

Prof. Montanari's presentation focused on the process of the construction of European identity and in particular on the production of images.

- Who must govern the Euro?

Looking at the statistics on the Euro, it is possible to see that European and Italian people would like to count on more coordination by the European Union on financial policies and on its ability to act as a whole at the international level and, in particular, to face up to the economic crisis. The public opinion would prefer to have surveillance and supervision by the European Union on the most important financial groups, and accordingly a more important role of the EU at the international level, especially during the financial crisis. In Italy, public opinion and also political representatives ask for more coordination and supervision not only on the financial level, but in other policy fields as unemployment, economic development, war against organized crime and in particular on the issue of immigration from North Africa to the Southern regions of Italy. So, it seems that there is the necessity to have a European government, which would have power in all these different policy fields and not only, as is felt now, at the economic and monetary level. At this point, the question is if we can talk about a national European Identity.

- New National Identity

My opinion is that we can speak about a national European identity not because something similar already exists, but because we are in the process of building this new identity and I think it's important to analyse how it is processed. When we speak about identity we don't speak about how we are, but about how we look at ourselves. The identity is composed by the categories that we use to describe ourselves, i.e. for Italians you will speak about artists, for British about self-controlled persons and for Germans as strong tall men, etc. The construction of any national identity triggers similar processes, aiming to set symbols that allow an immediate recognition of a given people through, i.e. a flag, an anthem (the *Marsigliese* for the French), collective rituals, ceremonies, holidays (referring to given historical events to which the whole community attributes value), and typical behavioural patterns which are characteristic of a mythical society (of the fathers) seized within the historical path.

- *The European stereotype*

Fifteen years ago nobody spoke about Europeans as a whole as now. So, this means that a process of construction of European identity has taken place. To recognize if European stereotypes are present within the process of constructing a European new identity, it would be useful to analyse the most important cultural and imaginary industry of our time - Hollywood. A good example of collective images conveyed by Hollywood on the stereotypes of the Europeans is present in a recent movie, “*The beach*”, in which, for the first time, Americans start to speak about European people as a whole attributing them peculiar characteristics. In the movie, the Europeans appear as non violent, humanitarian, altruist, permissive, cautious and sedentary but also ungrateful, betrayers and profiteers, while the Americans are much more adventurous, strong and egoist.

- *The European Pantheon*

We did a research on six countries in Europe (Spain, France, Germany, United Kingdom, Italy and Poland) trying to construct a European Pantheon, asking for the most important personages in the history of Europe, one lived before the XIX century, and the other after that time. For the first question, the personages that got the most votes were Leonardo da Vinci, then Cristoforo Colombo followed by Martin Luther; for the second question, most votes were given to Winston Churchill followed by Charles de Gaulle and Marie Curie. I think that this was an interesting research because we can see from it that the Europeans put in their Pantheon personages that represent artistic greatness, discovery of new worlds, freedom of religion, victory of democracy, struggle against totalitarianism and scientific innovation. So, this is how Europeans consider themselves and their values, making the European identity – the choice of a model to adopt implies a decision on what the society would be like and with what set of values.

- *The European Identity*

Europeans have based their identity on the primacy of the person, on democracy and upon post modern values as being humanitarian, environmentalist and loyal. Especially the new generations of Europeans have filled the streets claiming for peace, help to disinherited people, respect for environment and against preventive war, Kyoto protocol reject and the practice of torture. In conclusion, the European identity is just in the process of being defined - there are symbols, ceremonies, heroes pantheon, stereotypes and values referred to the European Union. However, this process is active and has already given its first results because out of Europe, in China or India and also in the USA, people talk about Europeans and no longer about British, or French, or German people. It's a bit a funny situation because the *others* already recognize what we still don't recognize, i.e., the fact that we are one entity. I think we are in the middle of the process of constructing our European identity but we still don't understand it. Nowadays, it appears that there is only one model of identity but in reality we can speak about different models of identity as the UK model or the Swiss one, etc. These models represent citizens within a nation with different languages, ethnics and religions but that are united because they have a certain national identity.

At the end of the speech, the following questions and answers were made:

- *What part has the single currency played in the building of European Identity?*
- *Why is European identity becoming a national identity, if there are many differences among the Europeans? How is the Euro constructing a political and national identity, and how do they stay together?*

Answers: I think that the Euro has been the most important institution in the process of constructing a European identity. I don't look at the single currency from an economical point of view because there is not only one economic model that gives unity to the EU, but rather from a political point of view, where the Euro is very strong because it has brought many countries, inside and outside the Euro

zone, to adopt specific. When we speak about national identity we are speaking about imagination, about how citizens feel it is. I think a good example of this is Zionism, that rose before the birth of Israel because it is an idea of being together, of being a unity. This idea was not really linked with actual conditions: in Yugoslavia during the XX Century the different Slavic populations lived together until they “discovered” their diversities and now in the Croatian Constitution we read that to be Croat a person has to have “Croatian blood”. To create differences it’s no difficult, as we can see in Italy with the Lega Nord that invented a territory that never existed before. So my point is that it is all a matter of feeling both in the creation of differences and in the construction of a unity.

Nando Pagnoncelli: *The Italians and the Euro*

Prof. Pagnoncelli’s presentation was a synthesis of the researches that the IPSOS Research Institute did from 1996 to 2001 for Economy Minister Ciampi, for Ciampi’s Government and for Berlusconi’s Government.

- How Italians look at the Euro? The positive aspects

There were many contradictions before the entry of Italy in the Euro but the positive aspects were many and Italy’s initial support of the Euro was quite strong, somewhere between 75% and 80%. This percentage was much higher than in other countries, for a number of reasons: solid cross-party political support in favour of the single currency, with few exceptions (Lega Nord/The Northern League); acceptance of the Euro did not take the form of a referendum and the issue of a single currency was not a source of conflict for domestic policy, as it proved to be in France and The Netherlands; the media supported the introduction of the Euro and acted as a resonant voice for policy and institutions; communication strategy focused on symbolic and emotional aspects as opposed to rational elements (national pride for belonging to the ‘group of leaders’ and the desire to clear up national debt in order to be able to join the Euro zone).

- Criticism and fears

Since the national unification process in Italy was more recent than in other European Countries, the European integration process presented few obstacles. There was, however, also some harsh criticism against the Euro: fear amongst the weaker part of the population (the elderly, the less educated, lower class), of all the difficulties associated with the switch; fear of unjustified price increases; a sense of inadequacy amongst Italians, requiring an ‘external force’ able to force major changes to the country; the perception that most benefits would have gone to establishments far from the common citizen (big banks, large companies, freelance professionals, multinational supermarket chains, etc.), penalising those employees with a fixed income, retired people, artisans, merchants, small business owners but the citizens were hard pressed to come up with rational arguments in support of the European integration.

- What is the trust that Italians have towards Europe and the Euro?

If we analyse statistics taken in December 2001, just before the introduction of the single currency, and other statistics taken on an annual basis during the last decade and one taken in May 2009 in view of this presentation, we can see some fluctuations but on the overall solid trust remains in the EU. In 2001, trust in the EU was at 70-71%, currently it is at 65-66%, meaning that two out of three Italians have trust in the Euro. Looking at these statistics, we have to say that in many cases when there is a high level of trust in international institutions it means that there is a feeling of distrust in national ones. Six years after the single currency was introduced in Italy, there were still many mixed feelings about Europe and the Euro but confidence in Europe remained high although for a quarter of the Italians, the trust in the EU derived from their distrust in Italian institutions. The European integration process is still not backed up by ideal reasoning and pragmatic considerations. Even in this current

period of crisis, the EU is still considered a good thing for Italy, even if most Italians feel that the introduction of the Euro created problems for the country (60%) and for their family (79%). The overall assessment of the single currency remains positive although benefits are not expected to be reached until the distant future.

- *Do Italians know European institutions?*

We have completed a study on the degree of knowledge of Italians of the European institutions in view of the elections for the renewal of the Parliament: 30% say that they know them perfectly, 23% more or less, 32% some, 38% not at all. Then we asked: “If we were to ask you what is one of the main institutions of Europe, which one would you say?”; 63% didn’t even know one European institution, not even the Parliament (although they were going to vote for it), 26% said the Parliament, 5% the European Central Bank, 8% the European Commission and 3% the European Council. I would like to conclude mentioning something that is underestimated in our country: if we want to analyse how the Italian society is structured considering that 62% of the Italian adults have only medium school education or less (30% have a high school diploma, 8% university degree), it is easy to imagine how difficult it is to explain the powers and the competences of the European institutions - it is unlikely that Italians are interested in this matter.

Giovanni Moro: Conclusion

The seminar has allowed us to reflect on the relationship between the single currency and citizenship and many other related issues. I consider the seminar very useful and consistent with the Foundation’s purpose. The seminar format actually fitted the need for dealing with topics not well known and where different competences and approaches are involved. As for the topic, the single currency as related to European citizenship emerged as a sort of puzzle where you need to put all the elements together in order to reach a clear picture. I am most grateful for the effort and contribution.