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CURRENCY, GOVERNANCE, FEDERALISM. WHAT PERSPECTIVES FOR A RENEWED DEMOCRACY IN EUROPE?[1]

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Abstract

The economic crisis that hit in the summer of 2007 in Great Britain and the United States, and then spread to Europe, particularly with the sovereign debt crisis, revealed all the fragility of the single currency. Opponents of the euro celebrated their victory, while sovereignist political forces began to grow in a large part of the continent, gaining widespread electoral support. Thanks to the unconventional action of the European Central Bank, and at the price of harsh austerity policies in the most indebted countries, the euro was saved, while *Next Generation EU*, a joint plan set up in 2020 to stop to the shock generated by the SARS-CoV-2 pandemic, envisages for the first time a form of mutualistic debt sharing. Reconstructing the history of the single currency, starting with the EMS set up in 1979, the article highlights the limits of the Eurozone's economic governance and re-launches, while critically examining it, the federalist proposal of A. Spinelli and E. Rossi, developed during World War II.

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Keywords
Europe, euro, economic governance, federalism, Spinelli.

Resumen
La crisis económica que azotó en el verano de 2007 a Gran Bretaña y Estados Unidos, y que luego se extendió a Europa, especialmente con la crisis de la deuda soberana, puso de manifiesto toda la fragilidad de la moneda única. Los opositores al euro celebraron su victoria, mientras que las fuerzas políticas soberanistas comenzaron a crecer en gran parte del continente, obteniendo un amplio apoyo electoral. Gracias a la acción poco convencional del Banco Central Europeo, y al precio de duras políticas de austeridad en los países más endeudados, el euro se salvó, mientras que la UE de nueva generación, un plan conjunto creado en 2020 para frenar el choque generado por la pandemia del SARS-CoV-2, prevé por primera vez una forma de reparto mutualista de la deuda. Reconstruyendo la historia de la moneda única, a partir del SME creado en 1979, el artículo pone de manifiesto los límites de la gobernanza económica de la eurozona y relanza, al tiempo que la examina críticamente, la propuesta federalista de A. Spinelli y E. Rossi, elaborada durante la Segunda Guerra Mundial.

Palabras clave
Europa, euro, gobernanza económica, federalismo, Spinelli.

Introducing the volume by the title of *Europa conviene?* (1990), a collection of proceedings of a seminar organized by the Rosselli Foundation in Turin, between 1986 and 1988, Giuliano Amato and Massimo Salvadori explained the defeat of European federalism with the economic success guaranteed by nation-states, during and after the "glorious thirty". As is known, economic success favored the functional and intergovernmental approach to the integration process initiated in 1951 by the Paris Treaty, which established the European Coal and Steel Community (ECSC).

This contribution argues that the economic and political precariousness affecting the Eurozone in particular and the EU more in general, the prolonged stagnation which, over the last fifteen years, has been aggravated by the ongoing crisis, actually constitute a new possibility for federalism as set out in the *Ventotene Manifesto* (Spinelli & Rossi, 1944) – clearly an updated version of it. Quite certainly, the intergovernmental option is neither realistic nor effective due to the sovereign debt crisis that exploded between 2011 and 2015. The functionalist approach, on the other hand, as has been made clear by SARS-CoV-2, is also insufficient: the "currency without a State", which starting from the Maastricht Treaty has definitely favored a considerable integration process, is now in need of a true federal fiscal policy and also calls for the revision of the Stability Act, reinforced in 2012 by the Fiscal Compact, in order to save the euro.

The contribution will therefore be articulated as follows: looking at the history of the European monetary system, from the EMS to Maastricht and to the euro, the relationship between monetary sovereignty and political sovereignty, as laid down in the Eurozone constitution, will be analyzed (§ 1); events that occurred in the decade following the Great Depression that started in 2008 will be considered in order to identify the peculiarity of the European crisis, paying particular attention to the disconnection and the conflict between economic governance, social rights, and democratic processes (§ 2); finally, considering the consequences of the pandemic and the first forms of debt sharing that were made necessary by the introduction of *Next Generation EU*, the paper will attempt to understand how the federalist project may be advanced today, critically re-reading the writings of Altiero Spinelli and Ernesto Rossi (§ 3) – texts that were composed, as is well known, during exile and in the midst of the catastrophe of World War II.

The currency without a State

It is worth focusing on the theory, closely connected to practice, elaborated by the Italian and French central bankers that contributed to the establishment of the Economic and Monetary Union (EMU). Although in practice they reaffirmed the functionalist approach of Jean Monnet, when reading their public statements from an unbiased perspective it is however possible to grasp a significant connection with the *Ventotene Manifesto*. In their perspective Europe allows to go beyond modern sovereignty embodied by nation-states. According to this approach, the primacy of the market and currency over politics, the primacy of rules over discretion, of institutions over democratic procedures, are necessary – but not sufficient – conditions for the achievement of the federalist objective. Currency, in particular, is the crucial institutional instrument – as it is a social institution – to render political integration inevitable.

Tommaso Padoa-Schioppa (1992; 2004) elaborated the aforementioned argument very clearly. As a member of the European Commission (1979-1983), of the Delors Commission (1988-1989) and of the Executive Board of the European Central Bank (1998-2006), he was one of the protagonists of the crucial passage that led to the constitution of the EMU and to the birth of the euro; he recounted this experience on several occasions, also with a clearly divulgative purpose. It is striking to see how honestly neoliberal policies are recognized as being a driving force for integration – equally striking is that these same policies were imposed in Europe by a fierce opponent of the single currency, Margaret Thatcher. Indeed, Padoa-Schioppa's attitude is somewhat similar to Spinelli's: in fact, in the essays that accompany the *Manifesto*, Spinelli considers Lionel Robbins and Friedrich von Hayek essential references for the development of federalism. Clearly these authors are used instrumentally, the same way Padoa-Schioppa openly admits he uses Thatcher instrumentally. However, it is also clear that according to both the supranational interdependency of market economy is the condition for the full realization of the European post-war dream. In fact, the Common Market is, substantially, a displacement of the modern Leviathan, of its prerogatives, and after the end of the Bretton Woods system it became the fundamental protection against the effects of globalization. However, if for Spinelli there is no European market without the United States of Europe, which also means democratic participation processes and extension of social rights, for Padoa-Schioppa the issue is different. This is also because of the different context: it is no longer about the effort to rebuilt in the aftermath of a war, but of defining steps and boundaries which may render political integration a necessary step.

Padoa-Schioppa's political realism informs his account of the key moments of the trajectory that leads from the European Monetary System to the Single European Act and finally to the Maastricht Treaty. Even though he does not conceal the confrontation between the largest European States, little is said about the main objective which is the convergence pursued through fiscal rules: flexibility of the labor market and transformation of Welfare State institutions. While political integration, and therefore a truly federal fiscal policy, are considered to be crucial from the start, even if their implementation may be postponed, the close relationship between price stability – basically the only objective of the European Central Bank – and wage moderation, increasingly precarious labor conditions and the reduction of social benefits is not at all clear. Price stability and, more in general, war against inflation are, after all, unquestionable objectives. In the effort to contrast uncertainty, and with a didactic approach, Jean-Claude Trichet (2009) presents price stability as a fundamental monetary policy tool to preserve purchasing power, especially of medium-low wages, never mentioning the reforms of the labor market imposed by European fiscal rules that strongly compress wages, fueling the phenomenon of working poor all over Europe, also in Germany (Blagoycheva, 2016; Lehndorff, 2016; Tufo, 2019; Stirati, 2020). Shifting our focus to Italy in the delicate transition to the European Monetary System (1979), it is worth mentioning Carlo Azelio Ciampi's *Concluding remarks to the 1980 Annual Report*, delivered in 1981. Apart from offering a detailed account of the economic and financial turbulence that marked the second half of the 1970s, following the termination of the Bretton Woods system by the American President Richard Nixon in 1971, and the two oil crises (1973 and 1979), the text reveals the close connection between inflation, defined as a true humiliation of both public and private propensity to save, and struggles for salaries and for the expansion of welfare. Inflation and devaluation of the lira are the instruments used to address social unrest and the demands put forward by unions – unrest in Italy continued well beyond 1968-1969 (Giannola, 1996). Wage and distributive negotiations reached their peak in 1975, when the then President of the General Confederation of Italian Industry Gianni Agnelli and the trade union confederations (CGIL-CISL-UIL) signed an agreement for a strongly egalitarian reform of the sliding wage scale, namely the automatic adjustment of wages to the inflation rate (Salvati, 2000; Felice, 2015; Bastasin & Toniolo, 2020). Already in February 1977 an important article by Franco Modigliani and Padoa-Schioppa strongly criticized the agreement while calling for a boost in productivity and interventions to protect savings.

Clearly Italy is not an isolated case, and these events must be read considering the European "snake in the tunnel" (in 1972, as a response to Nixon's move in 1971), and later the ECU (European Currency Unit; 1978), the EMS (1979) (Graziani, 1996). The starting point of this new era was the "decline" of Jimmy Carter's administration in the United States, with Paul Volcker nominated President of the Federal Reserve in the summer of 1979. The battle against inflation and the raise of interest rates was accompanied, during Ronald Regan's presidency, by a clash with the unions and collective bargaining (Harvey 2005; Streek, 2011, 2013). Price stability was achieved within a few years while unemployment exceeded 10%. The same shock therapy was used by Margaret Thatcher – another pivotal figure in the conflict with workers' movements. In Europe, and above all in Italy, the neoliberal transformation of the State was certainly more gradual, although this does not mean it was softer. Considering the period between 1976 and 2006 (so shortly before the financial crisis of 2007-2008), the quota of the GDP allocated to salaries dropped from 68% to 58% in the main OECD countries, while inequalities increased greatly (Gallino, 2012). Even though the economist Thomas Piketty (2014) defines inflation as a "rough and improper tool" for the redistribution of wealth, and claims progressive taxation of private capital is the main instrument to adopt, still he recognizes that in some cases, in the 20th century, inflation has favored economic recovery and salary growth. To be clear, he does not claim that the inflationary spiral of the 1970s could have worsened without impacting the purchasing power of weaker social groups; however, we can certainly state that the battle against inflation, labor market flexibility, wage moderation, and reduction of public spending and welfare occurred together and in combination (Raparelli, 2012; Ferrera, 2016).

While the "currency without a State" has been decisive in accelerating the process of integration, it has also been a pretext to foster the primacy of the market, as well as a set of so called "structural" reforms that would have been difficult to pass otherwise. All this took place in the years immediately preceding the birth of the euro in 2002 and shortly after, when a referendum was called to reject the Constitution (*Treaty establishing a Constitution for Europe*) – rejected by the French in particular. After the 2007-2008 crisis, and the one that came after, sparked by the sovereign debts of Southern European countries, the fact that there was no political Union translated into a catastrophe. Up to the global financial crack, interest rates of different countries in the Eurozone remained stable and rigorously the same despite the differences in terms of productivity, technology and labor market, as well as in levels of administrative efficiency. Following the crisis, which led to massive public interventions between 2008 and 2010 to support the banks with the highest debts – the ones that were "too big to fail" –, the difference in rates spiraled: the countries with higher debts and weaker productivity were attacked by rating agencies and by the financial markets themselves, which bet on the end of the euro or, in any case, on the exit of PIGS (Portugal, Italy, Greece, and Spain) from the Eurozone. Since July 26, 2012 – when President Mario Draghi pronounced the well-known "whatever it takes" – the ECB has been the only hope for Europe and its currency. Saving the currency, however, came with enormous costs: the social consequences for countries with the highest debts, namely Greece, were severe. In turn, these consequences have fuelled populist parties, often right-wing, racist and hostile to the Union.

In the next paragraph we will analyze the economic governance of the Eurozone in response to the 2007-2008 crisis and in relation to its undemocratic traits; what is important to point out at this stage is the significant change in pace called for, in particular, by Italian central bankers. In the famous speech quoted above, Mario Draghi insisted on the irreversibility of the euro, on the strength of the European economy, on the need to build a political Union. Shortly after, between August and September, the Governing Council of the ECB announced and approved the Outright Monetary Transactions (OMT), a program to purchase in secondary, sovereign bond markets, bonds issued by Eurozone Member States that were suffering the most; in exchange, it is important to point out, a demanding program of "structural reforms" was imposed. In the autumn of 2014 it was again Draghi who announced and then implemented, in 2015, the quantitative easing program, the massive purchase of bonds from banks in order to fuel growth of money supply in the banking system and, consequently, reduce interest rates. Again, it was Draghi who insisted, at the end of October 2019, that a monetary union such as the Eurozone had to have a "central fiscal capacity" (Saraceno, 2020). Already in 2014, the Governor of the Bank of Italy Ignazio Visco claimed a federal budget was necessary. While clarifying and justifying the function of the OMTs, in reply to the judgment of the Karlsruhe Court (the German Constitutional Court), Visco also warned about the social and political effects of the austerity measures imposed on the States with higher debts and weaker economies, in exchange for the very OMTs (Visco, 2014). Again, intervening in November 2019, he criticized the lacks of the Banking Union which he rightfully considered crucial in order to achieve an effective budget and fiscal policy; he also raised the stakes by proposing the Eurobond (Visco, 2019). In December 2021, Visco criticized the members of the Governing Council of the ECB who pushed for a return to a restrictive monetary policy (Visco, 2021) and advocated for the revision of the Stability Pact – this change, though temporary, had already been made necessary by the pandemic that spread in the winter of 2020, and was proposed as a structural solution by Mario Draghi (in the role of Italian Prime Minister) and by the French President Emmanuel Macron in the Financial Times.

To sum up, the monetary union is a unique case in the global scenario; since its creation, it has been ambiguous: a pragmatic choice to pursue a political union, and a pretext to impose a radical shift, away from the Keynesian policies of "the glorious thirty". The fiscal rules set out by Maastricht have imposed flexibility of the labor market and a significant reduction of public spending for welfare; with the euro, starting from 2002, interest rates converged while an actual economic convergence of the Eurozone countries never occurred. After the 2007-2008 crisis, the differences between countries and the high levels of government debt of some of them, aggravated by interventions to save banks, exposes the weakest countries to the attacks of the financial markets which bet on the collapse of the euro. Starting in 2012, thanks to a strong and "non-conventional" activity of the European Central Bank, the euro recovered. This, however, came at a cost: harsh austerity policies hit (among others) the most vulnerable social groups of the PIGS. Furthermore, the crisis generated by the Coronavirus pandemic, which starting in 2020 has only worsened a situation of prolonged crisis that began in 2008, has also required a change in fiscal rules and in the process of political integration. The next step is to understand the specific traits of European governance, looking at how these have developed over the past decade.

Disconnection and conflict between governance, social rights, and democracy

The acceleration of the integration process, between 1988 and 1992, following the ratification of the Maastricht Treaty, is the well-known outcome of complex historical events and of a difficult compromise (Graziani, 1996). The problems of the EMS, dominated by the power of the marc, were an important precondition; however, the German unification and the disintegration of the Soviet bloc were crucial elements of acceleration. The compromise concerned the relationship between rules and discretion. Germany, though having to deal with unemployment in the East, welcomed the Italian and French proposal for a single currency but demanded a fiscal "steel cage", provided by the Stability and Growth Pact in 1997 (Sardoni, 2009), which was harshly implemented with the Fiscal Compact (of EU countries) in 2012. The sadly well known parameters regulating debt levels and the annual debt-to-GDP ratio (60% and 3% respectively) have become synonym of austerity for the PIGS, especially after the 2007-2008 crisis; strict rules as an alternative to political-discretionary intervention, in line with the ordoliberal tendencies that dominated the German political and economic scenario already in the Federal Republic starting in the postwar period (Foucault 1978-1979; Dardot & Laval 2009; De Carolis 2017).

Guillaume Sacriste and Antoine Vauchez (2021), who elaborated and promoted the T-Dem, *Treaty on the Democratization of the Economic and Social Government of the European Union* (2017) together with Stéphanie Hennette and Thomas Picketty, claim that in response to the "Great Depression" a sort of "euroization" of Europe was carried out. This means the ECB has been increasingly tasked with the strengthening and transformation of economic governance, together with the Eurogroup and the surveillance mechanism of the "European Semester". According to the two political scientists, this process has weakened the intergovernmental dimension and given rise to a financial elite that has replaced the political elite, both at the national and European level, with the objective of gaining back the markets' trust. In the name of fiscal rigor and structural reforms, through institutions that are independent (the ECB) or in any case "on the other side of Europe's walls" (Eurogroup, the Euro Summit, DG Ecfin), this financial elite has made fundamental decisions from outside the democratic and public sphere, provoking clashes between fiscal rules, monetary policies and the Welfare State. The result has also been a chronic crisis of legitimization which in turn fuels nationalisms that hinder the political arena in most European countries. The public and democratic sphere, it is worth highlighting, suffers both the limitations and inadequacy of national Parliaments and the inconsistency of the European Parliament's decisions, dramatically exposing the full-blown crisis of political representation and of its traditional forms (Bazzicalupo, 2018). The economic governance of the Eurozone strongly influences decisions made by States concerning public spending, and more specifically it imposes a significant reduction of resources for welfare (pensions, healthcare, education, social policies). According to Sacriste and Vauchez, if it is true that this governance was put in place to save the single currency, it is also true that what was needed was a broad consensus able to foster democratic participation. Instead, the rules set out in the Stability and Growth Pact (1997) have been extended and strengthened by German hegemony, with the establishment of the "iron cage" of the "six-pack" (2011), the Fiscal Compact (signed on the occasion of the European Council of March 1 and 2, 2012 by all the Member States of the Union, except for the United Kingdom and the Czech Republic) and the "two-pack" (2013). As effectively described by the political scientist Vivien Schmidt (2020), the obsession with "governing by rules and ruling by number", already forced upon the rest of Europe by Germany in exchange for its agreement to the monetary union, is now generalized and has produced violent effects in conjunction with the financial crisis of 2007-2008 and the sovereign debt crisis that exploded in Europe in 2010 mainly affecting the PIGS.

As Paul Krugman (2012) explains, the European "great illusion" defines the crisis as the result of the fiscal irresponsibility of the countries in Southern Europe, while data from the International Monetary Fund demonstrate that, up to 2007, the debt in these countries was not at all out of control; on the contrary it was progressively decreasing. The Nobel Prize economist has claimed that some of the requirements introduced by Robert Mundell (1961), necessary to build an "optimum currency area", were lacking in Europe from the very beginning: in particular, mobility of (native) workforce, if compared with its equivalent among the States of the USA, also facilitated by the common language (Basso et al. 2019), and full integration of fiscal policies. Regarding the first requirement, it must be noted that although for a long time no effort was made to govern internal migration at a European level, a series of policies did follow at the national level aimed at governing migrations, with a system of "differential inclusion" established throughout the Union (Rigo, 2007; Mezzadra, 2008). Krugman then illustrates why the process of salary reduction is particularly hard and slow in the absence of monetary devaluation, by turning to an author that is not particularly dear to him: Milton Friedman (1953). The alternative to an "internal devaluation" imposed by economic governance could have been an expansionary monetary policy implemented by the ECB, a policy of fiscal stimulus in Germany that, instead, following a neo-mercantilist approach, for years continued to favor export without strengthening domestic consumption. According to the German sociologist Wolfgang Streeck (2016), whose diagnosis seems to be correct, although the same cannot be said for the "nostalgic" position it leads to (Habermas, 2013), the crisis becomes an opportunity to accelerate and broaden the creation of the "State of European consolidation": a "State composed by States", the EMU, characterized by surveillance and control of national fiscal policies on behalf of the Commission and within the framework of the objectives of the "European Semester"; by a monetary governance that has developed a resistance to social and union struggles. Also characterized by asymmetrical relationships between Member States; by the hegemony of Germany and of the "German model" (fiscal balance, war against inflation, labor market dualism and wage moderation, workfare, a dual learning system, enhancement of technical and professional training). All this, on the one hand, brought France and the PIGS closer to Germany, with cuts to public spending and precarization of employment; on the other hand, it drew all the Eurozone countries closer to the American consolidation that reached its highest level with the Bill Clinton administration (during the 1990s). By doing so, it favored the financial markets' trust and the full transformation, in neoliberal terms, of States, of welfare institutions, of public policies in general and of labor policies in particular.

Fiscal consolidation, as is known, is rendered necessary by an increase in public debt, in the United States as in Europe. For decades the mainstream public opinion has blamed political elites and their corruption, uncontrolled public spending and the wastes of the Welfare State. What is not mentioned, conversely, is the crucial role played by regressive fiscal policies that were undertaken by Regan in the 1980s and rapidly adopted throughout Europe (Biasco, 1996; Hallerberg & Basinger, 1998; Streeck, 2013, 2016). Other three facts of fundamental importance are closely linked to the ones we have just mentioned: capital market liberalization, and the consequent financial globalization of the economy (Marazzi, 1998; Gallino, 2011; Krugman, 2012); fiscal competition among States; proliferation of "tax havens" (Deneault, 2010). The first phenomenon, with its often dramatic consequences, starting with the 2007-2008 crisis, is well known to most people; the second two, even though they are present in the public debate (we may think of the Panama Papers and the Paradise Papers), are instead widely neglected when it comes to the necessary regulatory restrictions that are needed – these same restrictions, as we have seen, are extremely strict when applied to the supply of money and State budgets. Philipp Genschel e Peter Schwarz (2012), working on data referred to OECD countries, illustrate the "spiraling" decline of tax rates for corporations (from 46% to less than 30%) and tax rates applied to personal income (from 63 to 47%) between 1985 and 2007. This regressive trend is favored by tax relief policies and by international competition on taxation. These affect States creating imbalances which in turn push smaller States to become tax havens. On this account, the European Union is no exception. A 2016 study by Oxfam shows that the Netherlands, Ireland, Luxembourg and Cyprus are among the fifteen countries on the "the world's worst tax havens", countries competing in a race to the bottom on corporate tax, which "facilitate the most extreme forms of corporate tax avoidance" (Berkhout, 2016, p. 4). Reading the paper more in detail one learns, for example, that an Australian corporation used a Dutch shell company to avoid paying around 27,5 million dollars tax to Malawi, one of the poorest countries in the world. A 2019 study conducted by the European Union itself highlights that between 2004 and 2016 the States of the Union lost 46 billion euros revenue a year to tax evasion due to capitals placed in offshore companies and jurisdictions. What is more: according to the ratings made by the international organization Tax Justice Network, the Netherlands and Luxembourg are among the countries that guarantee the lowest rates on profit and bases of assessment that are particularly low by means of creative legislation and accountancy, also imposing high levels of "financial secrecy" (Peloso, 2020).

The fiscal issue, as it has been outlined up to this point, the dumping that some Eurozone and Union States perform at the cost of others, which is connected to wage dumping, involving countries in eastern Europe, are therefore the other key ingredients. Together with austerity policies – debt and deficit containment – and with structural labor market reforms (deregulation of redundancy and liberalization of fixed-term contracts), these factors have fueled disconnection and conflict between democracy and welfare and economic governance. Cristina Fasone and Peter L. Lindseth (2020) quite rightly point out that the absence of a fiscal pillar in the EMU, a severe constitutional limitation, is the reason for the chronic crisis of legitimacy of European institutions. In fact, what citizens looking at Europe see is the primacy of the intergovernmental method of the Council, the "iron cage" of the Fiscal Compact and the ECB technocracy, and a residual budget: Europe is fragmented and its Member States compete in the domain of taxation. Legitimacy of power, according to the two jurists, already strongly limited by the marginal role of the EU Parliament, would require a consistent mobilization of resources that only a real fiscal Union, and obviously the introduction of Eurobonds for sovereign debt mutualization, could guarantee. *Next Generation EU*, Europe's response to the pandemic, can certainly be considered as a step in the right direction, but a lot still needs to be done. The persistent hostility of the so called "frugal" countries (in northern Europe) towards the ones that have higher levels of public debt – obviously aggravated by the pandemic – is worrying. This division between North and South adds to the much worse one between East and West: with the enlargement of the Union, the latter has only worsened the precarization of the labor market (Chignola & Sacchetto, 2017) – an indicative example of this is the establishment of Special Economic Zones (SEZ) in Poland – and created space for post-democratic and racist political systems to thrive – the most relevant example here is Hungary. This divide only risks become deeper with the war in Ukraine.

Another chance for European federalism

In the introduction to this article, explicit reference was made to the *Ventotene Manifesto*, to the federalist proposal it lays out, which is both modern and urgent. The first paragraph focused on the complex relationship – also an instrumental one – between Spinelli and the economic thought of Lionel Robbins – translated by Spinelli for the editor Einaudi – and Friedrich von Hayek. Considering what has emerged in the second paragraph, namely the fracture between European economic governance, democratic participation, and social rights, it is now possible to understand how the *Manifesto* might be used and, especially, what type of federalism could free Europe from what the political scientist Claus Offe (2014) has described as a real "trap": an unbearable condition in which it seems impossible to move forwards, but also impossible to turn back.

Spinelli owes much of his critique to Russian collectivism, to planning and to Stalinist bureaucratic despotism to Hayek, specifically to his *Collectivist Economic Planning* (1935). In *Gli Stati Uniti d'Europa e le varie tendenze politiche* and in *Politica marxista* *e politica federalista*, the two essays that accompany the *Manifesto* in its 1944 edition edited by Eugenio Colorni, European federalism presents itself as an original mix of socialization of property and means of production and free market. The latter is, in fact, the only antidote to the Leviathan and to monopoly capitalism. More specifically, through the notion of "sectionalism", Spinelli shows the relationship between at least three phenomena, all of which are equally a source of imperialist warmongering: financial and industrial trusts, union corporatism, the all-pervasive and therefore totalitarian presence of the State and of its bureaucracy. The federalist proposal consistently moves away from the Marxist one because, if on one hand it fights inequality, on the other, presenting itself as «unbiased» socialism, it insists on cultural and political independence, and more in general on the moral autonomy of all human beings. The battle against privilege is fought through socialization of monopolies and redistribution of property – objectives that could only be achieved in a critical moment for Europe, devastated by war. However, the freedom for all is equally important, a widespread and responsible activity able to consolidate and extend the egalitarian achievements gained in the revolutionary phase. Spinelli's federalism, in this sense, rejects the deterministic fatalism of (dogmatic) Marxism, imagining institutions that are inevitably imperfect, but that are at the same time flexible and open to continuous innovation that only freedom may facilitate. Among these institutions is the market, whose price system is the "delicate indicator of the best mode of distribution of the means of production" (Spinelli 1944, p. 99). While generating interdependence, the market neutralizes custom duties and boundaries, favoring the dissolution of national sovereignty, thus securing peace and prosperity in Europe and, progressively, in the world.

In these past fifteen years the market has shown all its incapacity to act as a fast, effective, and impartial regulator, both in the global and European context, with inequality skyrocketing to levels that are unprecedented in history (Piketty, 2021). Also, war has made a fierce comeback in Ukraine, and the trust that Spinelli placed in the market today proves to be rather anachronistic. Even more so because, in Europe, it has not been able to contain the damage caused by the economic differences between Member States of the EMU; instead, it has facilitated financial aggression to the euro's stability, worsening the crisis of legitimacy of European institutions, opening the doors to sovereignist forces, to populist nationalism, which has only partially been weakened by *Next Generation EU*. Commenting the defeat of Alexīs Tsipras and his Government in the summer of 2015, the philosopher Étienne Balibar (2015a) described the process of "de-democratization" involving Europe, pointing to the independence of the ECB, the marginality of the Strasbourg Parliament, the undisputed power of the Eurogroup. More specifically, and from a radically pro-European position, Balibar blames the total absence of regulation of financial markets, of fiscal havens, and tax evasion: as illustrated above, these have forced States to contract debts that expose them to violent and inevitable blackmail – the only other solution being the expulsion from the EMU. It is no surprise that the defeat imposed on Greece, on the results of the referendum on the diktat of the *Troika* (ECB, IMF, Commission), has enhanced rather than diminish the idea that the Eurozone cannot be reformed; an "iron cage", designed by German ordoliberalism and imposed on the *PIGS* as well as on France (where sovereignist right wing groups are on the rise), where currency and the single market have erased citizens' democratic participation – mainly expressed through the election of Parliaments and National Governments, which however deserts the European polls (only one out of two citizens with the right to vote did so in 2019). Even Jürgen Habermas (2018), among the most pro-European thinkers of the continental and German context, has repeatedly claimed that "the process of European unification has taken a downward turn" (Habermas, 2018, p. 89) and that "no monetary union can withstand sustained differences between the Member States' budgets and as a consequence […] between their respective living conditions" (Habermas, 2018, p. 85). Just like Balibar, Habemas proposes that Union States should join in the struggle against tax evasion, for "a tax on financial transactions, […] for the strictest rules possible to be applied to financial markets" (Habermas, 2018, p. 87), and should obviously have a shared budget and debt.

If for Spinelli and Rossi the European free market, socialism and democracy are the three main ingredients of federalist politics, today we know that in order to allow the success of the first the other two have been left aside, if not made to disappear, turning the federalist option into an ideal whose validity is reconfirmed as much as it is in practice rejected or at least put off. The so called "Hamiltonian moment" – with reference to the mutualization of war debts of 1790, and therefore to the consolidation of the American Federal State – always seems to be within reach and, at the same time, one step too far. However, one cannot deny that *Next Generation EU*, at least partially, goes in this direction, as well as the pressure to reform the Stability and Growth pact that was referred to in the first paragraph: the symmetrical economic shock, the "employment cataclysm" and the "bottlenecks" of global logistics and value chains, generated by the SARS-CoV-2 pandemic are imposing a very limited, but not at all marginal, revision of the neoliberal postulate of the "currency without a State" (Schmidt, 2021). In addition, before the pandemic, in the autumn of 2019, German neo-mercantilism was already starting to encounter its first obstacles since both the external and internal demand had grown weaker (with a slowdown of export and growth, a significant reduction of three percentage points of commercial surplus). To such an extent that the President of the Commission, German Ursula von der Leyen, immediately presented herself as the leader of mediation between the requests of the two Europes, Northern and Southern; this is also, quite clearly, a response to the success of sovereignist political forces in the 2019 elections. Still, it is undeniable that only the pandemic was able to give way to a first and extremely partial mutualization of debt, with results that have been all but positive until now, when it comes to welfare and social policies. All the same, it is possible to speak of a significant break (Mezzadra & Raparelli, 2020), whereby the elites that were in charge of the "neoliberal management of the crisis" for a decade are at least being forced by current events to abandon austerity.

Following Sandro Mezzadra's invitation to "critically turn to the federal vision which emerged from the World War II" (Mezzadra, 2013, p. 70), of the *Ventotene Manife*sto and Spinelli's accompanying essays, it is worth highlighting the co-articulation between democracy, social justice and the end of the Nation-State. It is an ever more necessary connection today that State sovereignty can do nothing to govern productive and financial processes that are irreversibly global and that require translational regulation, from fiscal policies to workers' rights. To believe it is possible to defend salaries and welfare, in a context of competition between Member States on taxation and wage dumping, is unrealistic and wrong. According to Spinelli, completely in line with Carlo Rosselli's thought, democracy can only be expansive and therefore hostile to boundaries and to the inevitable national selfishness – only democracy, its insistence on the creative freedom of individuals, would have allowed socialism to overcome the dictatorship of the party over society, the bureaucratic violence of the Stalinist regime. What is different today is that the dramatic crisis does not only concern national States, but also the free market. Instead of undermining monopolies and disproportionate revenues based on advantageous positions, the latter has generated cases of "refeudalization" (De Carolis, 2017), it has enhanced the distance and hierarchies between countries of the North and the South in the Eurozone, fostering inequality, relative and absolute poverty, resignation, and disaffection towards European institutions. In order to update the *Manifesto*, in the effort to rebuild Europe by inventing a "transnational democracy" (Balibar, 2015a), first of all, a full, transnational, "social citizenship" needs to be achieved, based on *jus soli* and not on *jus sanguinis*, open and inclusive – bearing in mind the new "European migration regime" as well as the escalation of the refugee crisis (Balibar, 2001, 2015b; Mezzadra, 2008, 2020). Certainly, the proposals of Philippe Van Parijs (2012) and Claus Offe (2014), who call for a federal budget and fiscal system and are in favor of a European basic income, which can be freely incremented with other universal benefits, point in this direction. A minimum wage – also supported by the European Parliament (in 2021) – would however need to be adopted by all countries, which would also have to fight the dumping on the part of individual Member Countries. Another crucial point, which would have to follow the implementation of a federal fiscal policy, is joint financing of welfare, health, and pension institutions, education and research.

Remaining faithful to Spinelli's federalist idea, strongly rooted in the revolutionary challenge, the political program briefly exposed above cannot be implemented in "normal" times: social Europe, according to Jacques Delors and Tommaso Padoa-Schioppa, should have progressively taken shape along with the "currency without a State", extending substantial citizenship beyond the borders of the nation-state. Today this idea belongs to the past. A new opportunity for European federalism – which makes it a more realistic option than the intergovernmental and technocratic ones – is mainly brought about by the pandemic, by its economic and social consequences, by its psychological effects, which, together with the war in Ukraine, will be prolonged and hard. The exceptional times Europe is experiencing, in many ways similar to those of a war, which have required – as was said above – a plan such as *Next Generation EU*, are no guarantee of a necessary process of democratization; however, they certainly constitute the right condition to advance and implement a "federal constituent" (Negri, 2003; Amendola, 2016). There is still no constituent movement that could seize this opportunity; instead, we experience the paradox of a European Union implementing a top-down reform, so one that is problematic and insufficient, while on the other hand, social and political conflicts have largely receded to the national level after the Greek defeat of 2015. With some very important exceptions: the feminist and ecological movements, which are global. When Spinelli and Rossi imagined that a federalist project would be the outcome of the crisis of nation-states and of the post-war revolution, they called for an alliance between the working class and the intellectual classes, especially young anti-fascist intellectuals. With a similar creative effort, today we may speak of heterogeneous assemblages (Giardini, 2017; Hardt& Negri, 2017) which combine, with their pluralism, the aforementioned movements, the struggles of precarious and impoverished cognitive workers, care workers (whose decisive role the pandemic has made evident), the migrant struggles against borders and for an expansive citizenship. It is an assemblage of social movements, but also institutional pluralism: the Europe worth fighting for is not simply the one envisaged by the *Ventotene manifesto*, i.e. the United States of Europe, but also the one to be built by experimenting with unprecedented forms of decentralization, both political and administrative, a multilevel democracy capable of enhancing widespread countervailing powers and addressing economic governance with dissent and dispute.

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