

COVID-19 Crisis and de European Project  
Valentin Lazea, Chief Economist at the National Bank of Romania.  
April 2020

Dear Ladies and Gentlemen,

If we want to use this crisis properly (and get past nice declarations of intentions), we have to acknowledge that more European solidarity is conditional upon more fiscal union, meaning the acceptance of sovereignty transfers from EU states' Governments towards Community organisms (European Commission and Parliament).

Specifically, this crisis can be used to further the European Project by one step (and a half), in one of the two following versions:

1. Minimalist version: the states that expect community help (the net recipients) should accept that the loans received to overcome the crisis should have attached conditionalities concerning economic reforms (of the IMF type). This would allow the transforming of the ESM into a genuine European IMF and would be in the very interest of the recipient states, which otherwise would lack the political will to undertake those much needed reforms. It is counter-productive for states like Italy, Spain or France to argue for unconditional loans, when they are told clearly that this would amount to taxation without representation. Also, this version would call for a strengthening (not a dilution) of the Stability and Growth Pact, which many are considering dead and buried.

2. Maximalist version: creation of a genuine Fiscal Union, that would suppose a harmonization of the main taxes, a larger EU budget (where every state could find something of interest, like environment protection, security, migration control etc), a separate budget for the Eurozone and, most and foremost, the possibility for budgetary decisions made at the states' level to be over-ruled by European organizations. This would entail, in turn, renouncing the current inter-governmental approach (where heads of states take the most important decisions) and adopting the intra-community method: the President of the European Commission would become the Chief Executive, equivalent to the American or Chinese Presidents.

Now is a good time to deal with these issues, or we will we muddle through forever, with calls for goodwill and sentiments.

Best regards,  
Valentin Lazea