# European plans: between market and democratic planning

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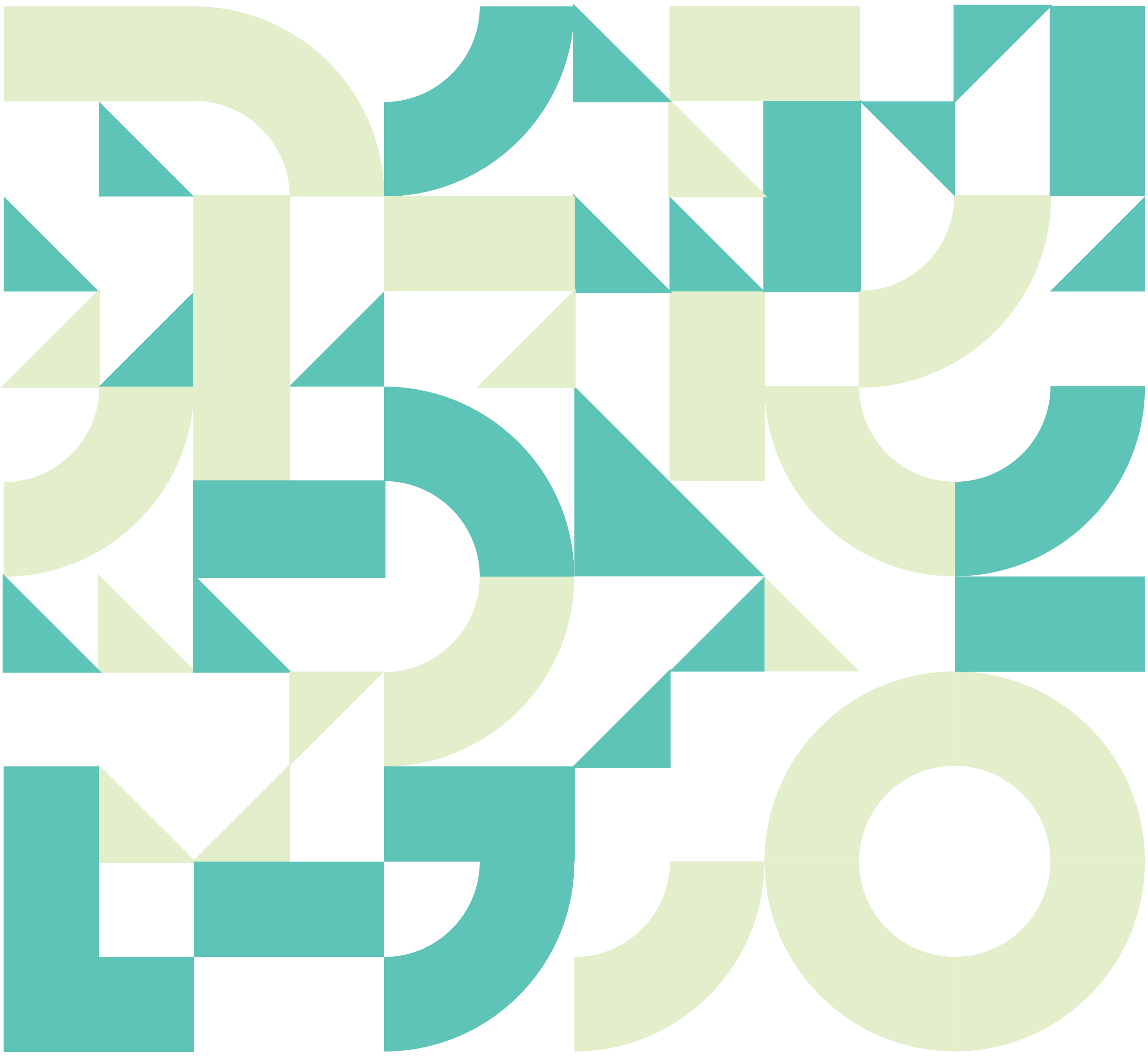

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**AUTHORS**
GUILLAUME SACRISTE
ANTOINE VAUCHEZ

45, RUE D'ULM 75005 PARIS
LEGRANDCONTINENT.EU
GEG@ENS.FR

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# European plans: between market and democratic planning

**GUILLAUME SACRISTE •** LECTURER IN POLITICAL SCIENCE AT THE UNIVERSITY OF PARIS 1, PANTHÉON-SORBONNE

**ANTOINE VAUCHEZ •** CNRS RESEARCH PROFESSOR (DIRECTEUR DE RECHERCHE) IN POLITICAL SOCIOLOGY AND LAW AT THE CENTRE EUROPÉEN DE SOCIOLOGIE ET DE SCIENCE POLITIQUE (EHESS - UNIVERSITÉ PARIS 1-SORBONNE)



Long excluded from European public debate, as it was perceived as an outdated incarnation of dirigisme, the words and tools of planning have made a spectacular return in the past several years. In both Europe and the United States, a succession of "plans" – often significant in scale – have brought about public investment's return to favor.[1] This planning approach was given new life in 2019 with the "European Green Deal", which restored long-term public instruments to deal with global warming, which appears to be the "greatest market failure in history". But the health crisis undoubtedly cemented this comeback under the €750 billion 2020 Recovery Plan, which definitively redeemed planning from its bad reputation to the point where it now appears to be the preferred vehicle for new European policies.

It must be pointed out that the European crises of the past decade have revealed the scale of unmet collective needs as well as the cumulative effect of a policy of insufficient public investment. Faced with the combined effects of a European war which has exposed our dependencies and vulnerabilities, of a climate disruption that puts the survival of our natural heritage and our very existence in danger, as well as the breakdown of the social welfare system in essential public services (hospitals, transport, universities, etc.) – the collapse of which was exposed and accelerated by the pandemic – planning appears to be the new lever for governments in need of efficiency to assert political voluntarism. From this point of view, the European Recovery and Resilience Plan adopted in 2021 is undeniably important, not only for the inroads it makes into the «Maastricht consensus», but also for the new capacity for action it offers to a Europe that had locked itself into the choice of austerity and a marked preference for market solutions. The European Commission and Europe's top political leaders have gone to great lengths to present this turning point as a new "European recovery", or even a "Hamiltonian moment" conveniently replacing the now defunct "Madisonian moment" of the European constitutional project of the 2000s.

Yet a critical assessment of this new European interventionism has yet to be made, which has attracted substantial public funding and political energy. This

1 — Cédric Durand, "1979 in reverse", Sidecar.

does not simply mean restating what we already know, namely that the sums allocated to this Plan remain modest in relation to the collective needs mentioned above, as well as those allocated to the investment «packages» adopted by the Biden administration; nor does it mean highlighting the Plan's «one-off» nature (a one-time response to an «external shock»), which considerably limits its transformative effects. Rather, the aim is to analyze the underlying policy framework of this planning: firstly, by looking at the neo-managerial and pro-business forms it has initially taken – resulting in the undermining of the Union's «left hand», which was initially intended to bolster the «resilience» of European societies, in favor of market and competitivity objectives driven by governments themselves;[2] and subsequently tracking the institutional frameworks within which this planning is embedded, which extend and reinforce the executive and technocratic leaning of the «European Semester», whose marginalizing effects on all representative political players (associations, trade unions and parties, etc.) are well known.

The problem with this architecture of the European Plan is not just that, as it is built around vague and sometimes contradictory objectives (the «dual ecological and digital transition») and managed in an opaque manner at a good distance from democratic channels and civil society, it appears in many respects to be literally «uncontrollable» - in other words, both difficult to govern and difficult to evaluate. By progressively reducing its non-market objectives and restricting the economy of alliances that transmits its watchwords to senior officials, consulting firms and major corporations, the European Plan seems incapable of providing the Union with the «metabolism»[3] it needs to meet today's monumental challenges on a continental scale (peace, the equalization of living conditions within and between countries, ecological divergence, etc.).

Faced with the limits of this kind of short-term, technocratic, and managerial planning, it is essential to consider the shape of another kind of planning, this time democratic, which would instead bet on the collective intelligence that democracies are capable of in order to steer the great social and ecological transformation of our European economies and societies. We can already see the beginnings of this in the ecological and social projects that have been outlined by the Union's «left hand» in recent years, but which have more often than not been obstructed and sidelined. This other kind of planning presupposes that the Union endows itself with a proper budget built around a new fiscal capacity (a European tax on large fortunes), and that it is developed within a permanent institutional framework (a European assembly of national parliaments).

## 1. The limits of technocratic and managerial planning

2 — Consider the «competitive sustainability» at the heart of the Green New Deal model presented by the Commission before the pandemic: Communication from the Commission, December 17, 2019, 2020 Annual Strategy for Sustainable Growth, COM(2020)650 final.

3 — We refer here to the notion developed by Cristina Fasone and Peter Lindseth, who define metabolism as the set of «mechanisms capable of extracting or redirecting human and fiscal resources in a way that is both legitimate and obligatory [to] convert them into economic and social resources for public purposes», in «L'Union européenne et les limites de la gouvernance administrative supranationale: de la crise de la zone euro à la réponse au coronavirus», Revue française d'administration publique, vol. 180, no. 4, 2021, pp. 859-882.

The pandemic crisis has brought about something new: planning at European level.[4] Through the political voluntarism it enables, this planning on a European scale represents a major departure from the «Maastricht consensus», breaking through the red lines that had limited the European Union's capacity for action over the previous three decades: revitalizing public investment, the possibility of joint debt, the choice of financing through subsidies (rather than borrowing), direct support for member state budgets, and so on. The NextGenerationEU plan adopted in June 2020, which has since been translated into a number of national plans, has undeniably provided an opening, especially as it was accompanied by both the suspension of the «Stability and Growth Pact», which weighed heavily on member states' budgetary policies, and the strict control of state aid, which curbed states' ability to steer economic activity. The fact is, though, that this European planning has been carried out under neo-liberal conditions, i.e. in a technocratic, neo-managerial mold, and more often than not for the benefit of market objectives whose ability to drive ecological change is highly uncertain...

This European Plan has in no way changed the epicenter of European economic government, which, since the eurozone crises, has remained firmly anchored in Europe's «right hand», i.e. that of the national and European financial bureaucracies (treasuries, central banks, DG Ecfin) which, for the past fifteen years, have ensured the Union's budgetary and monetary macroeconomic surveillance. European planning faithfully follows the outline of the European Semester, but gives it unprecedented power and direction, since it now determines the distribution of the financial manna. It also reflects the modus operandi of the European Semester, with its highly complex and opaque back-and-forth between national leaders, who, on the one hand, submit national plans with «milestones», «targets» and «tentative timetables», and, on the other, the Commission, which specifies the list of reforms it expects governments to implement in their plans, and periodically assesses how well they have been carried out in the context of its «country recommendations».[5] By being so caught up in the European Semester's usual suspects, European planning has inherited its biases and blind spots: a technocratic, closed-door process that spans the entire Euro-national decision-making chain, from the choice of European investment priorities to the selection and evaluation of national projects financed; an opacity in the bilateral deals struck between the Commission and each of the Member States, which are unevenly binding and conditional; and finally, the similar isolation of environmental and social ministries, parliaments (European or national),[6] and civil society players (led by





4 — It is true that Laurent Warlouzet notes that unsuccessful attempts were made in the 1960s at the behest of senior French civil servants: Laurent Warlouzet, «Des chiffres pour la planification économique européenne: un projet français pour la CEE (1956-1967)», in: Touchelay, Béatrice and Verheyde, Philippe, (eds.) La genèse de la décision: Chiffres Publics, Chiffres Privés dans la France du XXe Siècle, Bière, Bordeaux, pp. 181-198. It should also be remembered, of course, that Jean Monnet came to head the ECSC High Authority after his experience at the head of the Commissariat Général au Plan.

5 — On the reforms expected of States, see Commission staff working document, Jan. 22, 2021, Guidance to Member States Recovery and Resilience plans, SWD(2021, 12 final).

6 — So much so that the Italian Parliament will have voted on a different draft from the one that will

social partners), who are relegated to the role of spectators, to be consulted, at best, at the end of the chain.[7]

But there's more, for this new planning is not just technocratic; it's also «neo-managerial». The myriad national and European task forces that were quickly established to produce the thousands of pages of national plans (1,100 for Germany, 800 for France, etc.) relied heavily on the private bureaucracy of consulting firms. These are by no means newcomers to Brussels or European capitals, but they found new momentum[8] in European planning and its calls for projects. As the NGO Follow The Money has clearly documented across Europe, guiding these plans was like second nature to these consultants, whether for such politically sensitive tasks as identifying the most «promising» investments (aeronautics, automotive, chemical and parachemical industries, decarbonized hydrogen, etc.) or defining project evaluation criteria. Consider the French example, which is managed through a «territorial monitoring tool» designed by CapGemini, structured around projects such as Ma Prime Renov' – one of the largest expenditure items in the French plan – entrusted to CapGemini by the National Housing Agency (Agence Nationale de l'Habitat) and the Ministry of the Ecological Transition (Ministre de la transition), and finally evaluated by a «Committee for the evaluation of the French Recovery» which relies on Roland Berger. This heavy reliance on consultants, found throughout the Union, is certainly not without consequence. We know it leads to a preference for market solutions to achieve digital and ecological objectives,[9] and that it reinforces the marginalization of «other civil societies», those that are not market-based, such as associations and local democracy.

Combined pressure from the French and German economy ministers has also contributed to this European planning being pushed down the road of competitiveness in the face of Chinese competition – by mixing the challenges of the commercial sector's digital and ecological transition with the objectives of rescuing economic sectors that are deemed strategic. This runs the risk of failing to provide clear impetus for the transition to a climate-neutral economy, as illustrated by France's choice of massive support for the automotive (hybrid cars) and aeronautics industries, which falls far short of paving the way for a new mobility system that prioritizes public transport and encourages the development of renewable energies. In prioritizing these market objectives, there is also a risk of overlooking the need to rescue public services and infrastructure, whose plight was painfully exposed by the pandemic. We need only think of





finally be sent by the Italian government to the Commission for approval.

7 — Trade union involvement in the drafting and implementation of national Recovery and Resilience Plans, quoted by Sébastien Adalid.

8 — In June 2022, the DG Reform set up in the wake of the Greek crisis memorandum signed contracts worth 374 million with a group of consultants from Deloitte, McKinsey and KPMG in the 27 member states under the technical support instrument.

9 — On this point, we refer you to Antoine Vauchez, Public, coll. Le mot est faible, Anamosa, 2022; and very recently Mariana Mazzucato, The Big Con. How the Consulting Industry Weakens our Businesses, Infantilizes our Governments and Warps our Economies, Penguin Press, 2023, which also points to the structural conflicts of interest of these firms, such as McKinsey, which advises 43 of the top 100 greenhouse gas emitting companies.

public health, which was initially identified by the Commission as a priority sector (with estimated investment needs of €70 billion),[10] but which was ultimately sacrificed under an EU4Health program endowed with just €5.1 billion, which was further scaled back at the end of 2022, and of which only a tiny portion will go towards strengthening the health systems themselves…[11] This is a far cry from the kind of Europe that would come to the aid of welfare states crippled by decades of under-investment.

This is particularly true given that the vagueness and opacity of the project and indicator-based neo-managerial method makes it virtually impossible to assess the knock-on effects of these plans – a point already noted in Benoît Coeuré's first Assessment Report on the «France Recovery» Plan. What emerges from these often poorly-defined ecological indicators and the decision-making processes of the 27 member states is the risk that funds will be spread too thinly and their objectives disregarded – a point that the European Court of Auditors has been able to demonstrate time and again in comparable situations concerning the CAP's environmental objectives.[12]

Born under a regime of constrained democracy, European planning ultimately adopted an overly narrow focus on pro-business objectives, thus depriving itself of any real capacity to drive European companies forward and running the risk of failing to achieve its already modest environmental objectives. This confirms the fears of the European Ombudsman when she said: «The public may well expect significant resources to be dedicated to health services, to pandemic prevention, to education and to social supports. But some reports already point to significant funding, following significant lobbying, for projects that go counter to the EU's drive, for example, to combat climate change»[13] (O'Reilly).

### 2. Hindered planning

Yet, as is always the case in times of crisis, the last few years have also seen a surge of alternative and progressive projects which outline in very concrete terms potential routes for a different kind of European planning. This is the case with the European Commission's social arm, whether it be DG EMPL and its Commissioner, the EPSCO Council and its preparatory committees, such as the Social Protection Committee, the European Parliament and in particular its EMPL Committee and its parliamentarians from the GUE, the ALDE Greens or S&D, or the European platforms of worker and employee unions in the private sector, public service trade unions, the European Economic and Social Committee, or social and/or environmental NGOs, to name only a few. This is

10 — This does not include social infrastructure investment needs estimated at 192 billion, p. 21.

11 — See European Federation of Public Service Unions.

12 — European Court of Auditors, «Biodiversity on farmland: CAP contribution has not halted the decline», June 2020.

13 — Emily O'Reilly, "Ethical Lobbying in a post-Covid World – Global Public affairs Forum in Paris", 17 Sept. 2021.

a wide range of communities of actors, which until now have been prevented from taking part, but which have seized upon this recovery plan as an opportunity to redefine the Union's left hand.

Let us begin with a success story – that of the SURE mechanism, conveniently pulled from the DG EMPL shelves by Luxembourg's Social Affairs Commissioner, Nicolas Schmidt, which is based on the once unorthodox idea of a Union that goes into debt to finance an unemployment reinsurance mechanism on the international markets, in the form of a European social loan guaranteed by all member states. As a result, no less than 100 billion euros were raised to finance partial unemployment in the unprecedented form of European social bonds. This represents the nascent stage of a European social insurance system, since it could be used as the basis for a permanent European unemployment insurance fund paid directly into national systems for periods when there is an increase in unemployment due to an external crisis.

But this European social and ecological platform also paved the way for another conditionality for European investments, which is the only way to counterbalance the pro-business orientation of the recovery plans. Drawing on reports from the Court of Auditors and the NGO Social Platform,[14] MEPs championed a series of amendments calling for precise quantification of European spending, not only for green and digital investments, but also for education (10% of total investment in inclusive, quality education, i.e. €65 billion), social spending (20%, i.e. €130 billion) and even cultural initiatives (2%, i.e. €13 billion). The European Semester is also a primary target, with the aim of shifting its focus to make it a fully-fledged social instrument, and not, as the trade union platform IndustriALL (which brings together 180 European trade unions) puts it, a lever for undermining social systems or dismantling social dialogue and collective bargaining. A whole new architecture of the social scoreboard has therefore been proposed, with social indicators focusing on the application of core European principles of social rights, the quality of employment, upward social convergence, equal opportunities and access to social protection, education and skills, and investment in access and opportunities for children and young people, in line with the objectives of the child guarantee and the youth guarantee, etc. But it is also a different «governance» of the European Semester that has been outlined throughout the proposals, with the EESC calling for civil society to be directly involved in not only defining the Semester's country-specific recommendations, but also in the creation of the national plans themselves – with the idea that, for example, bridging the digital divide, particularly for marginalized groups, strengthening social protection systems and their ability to help all individuals maintain a dignified standard of living, or facilitating the inclusion of migrants and refugees in the labor market and social protection systems, etc., are all part of the process.

Public health is another European policy area that needs to be completely (re) built following thirty years of being sacrificed to austerity and neoliberalism. In a highly illustrative example, just a few months before the pandemic crisis, there was even talk of the outright elimination of the Commissioner for Health

14 — For example, this open letter calling for a 25% quantification of social spending within the FRR.

due to a lack of resources and an atrophied DG ENVI. However, on January 17th, the European Parliament's ENVI Committee drew the first lessons from this lack of resources by setting up a sub-committee on public health, signaling the importance of regaining control. However, the first thing that needs to be put in place is a long-term investment policy.[15] With the backing of European trade unions, at a time of crisis, the European Parliament fought to increase a budget sacrificed by the Council. The fact remains, however, that EU4Health's work plan to «strengthen Europe's resilience in health and care» has been allocated a mere 736 million euros, or perhaps even as little as 9 million, according to the European Federation of Public Service Unions,[16] which believes that «this budget does nothing to address the main problem facing Europe's healthcare systems: the shortage of health and care staff. With workers leaving the sector and high levels of stress and burnout, this plan overlooks the potential collapse of healthcare systems if left unaddressed. The European Commission seems to be wearing blinders''.[17] In other words, there is an enormous need for public funding and investment if we are to provide high-quality care that is not subject to the neo-managerial approaches that have weakened this essential public service throughout Europe.

Moreover, a number of paths have emerged during the crisis itself, as some of the main barriers imposed by European policies have been removed. This is particularly true in terms of government aid – the bedrock of the sacrosanct competition policy – with the creation of IPCEIs (Important Projects of Common European Interest),[18] which make it possible to circumvent European restrictions on government aid when European states agree to finance projects where «market failures (sic)» and societal challenges require public funding. Designed to unite private and public actors in support of Green Deal objectives, this new industrial strategy for Europe has focused on hydrogen production and related technologies in the NGEU plan. But it is also a decisive step towards European interventionism, which would finance investment plans in European healthcare, research and education.

This is even more conceivable given that the «Maastricht consensus» and its main lever, the Stability and Growth Pact, are emerging from a decade of crises, though deeply shaken. We know that the dramatic rise in member states' public debt levels and their heterogeneity have convinced us of the flaws in the design of this economic governance. The proposals put forward by the Commission in November 2022, which emphasize debt sustainability as well as sustainable and inclusive growth, confirm that things remain open on this front. Moving

15 — At the height of the crisis, the Commission therefore first targeted the investment needs it considered most important for recovery, and it was health, public health and social investment needs that were at the top of the list. The Commission's services estimate the need for healthcare investment in the Union at €70 billion per year, or 0.6% of EU GDP.

16 — EPSU, EU4Health budget ignores the biggest problem in healthcare: lack of staff, November 2022.

17 — La grande pénurie de soignants est une réalité dans toute l'Europe, le Monde, July 2022.

18 — Communication From The Commission, Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest.

away from the magic number mentality (see the well-known «Maastricht criteria» on debt and deficit) and the one-size-fits-all approach, the tool proposes a medium-term program that structures national budgetary trajectories (their investments and priority reforms) around the simultaneous pursuit of progressive debt reduction objectives, sustainable and inclusive growth, as well as digital, environmental and social objectives in line with the European Digital Decade, the European Climate Law, and the core set of fundamental social rights. Overall, this will give national governments additional room for maneuver, both in terms of the pace of adjustment and discussion of each country's debt sustainability, especially as the concept of sustainability remains rather vague in economic terms, and therefore open to political discussion within the Council's committees, particularly the Economic and Financial Committee. In short, everything remains to be defined, especially as NGOs and member states alike are reluctant to give the Commission the new powers of assessment it is asserting, but the principle of mechanical restraint through automatic rules, which has until now prevailed in this framework for economic governance, has undoubtedly been dealt a fatal blow.



### 3. Democratic planning of European public assets

European planning is not up to the immense collective needs that have emerged over the last decade, in either form – because for the time being it is not a long-term plan but a temporary, extra-budgetary response to the pandemic crisis – or in direction – because the pro-business bias completely sidesteps the social and green investments that clearly need to be encouraged in order to: achieve large-scale insulation of public buildings and housing, electrify all industrial and agricultural production, massively develop rail and river transport for both people and freight, and achieve 100% renewable energy, etc. European planning is still not up to the task in terms of volume, as this transformation would require additional green investments of 1.5% to 2% of European GDP each year according to the Commission itself, significantly higher than the sums mobilized by the NGEU. There is still a long way to go from the temporary, one-off «Next Generation EU» instrument created to deal with exceptional circumstances, to the «Hamiltonian moment» that some have enthusiastically predicted. A shift seems to be taking place as the European Union confronts crises by (partially) breaking with some of the dogmas that had been built up in the post-Maastricht period (budgetary discipline, structural reforms, liberalization and privatization, deregulation of the financial or energy markets, etc.) and which had blocked the «European metabolism»[19] by depriving it of the autonomous capacity to mobilize resources (spending, borrowing, even direct taxation) in order to achieve the «monumental goals» assigned to it by the Treaties (peace, prosperity, rule of law, etc).



What remains to be done is to sketch out the framework for a different kind of European planning, one that breaks away from the temporary framework of Next Generation EU and the pro-business, neo-managerial leanings identified above. This could be done by starting again from the notion of the «budget»

19 — Cristina Fasone, Peter Lindseth, "Europe's Fractured Metabolic Constitution: From the Eurozone Crisis to the Coronavirus Response", LUISS School of Government, SOG Working Paper 61 (October 2020).

as a political form linking common expenditure, direct taxation (of individuals and companies) and parliamentary democracy - a political form which in Western democracies has constituted the main framework for the development of social States. From this point of view, we must first recognize that the Union does not have (nor has it ever had) a budget, as its fiscal structure is both lacking in autonomy from the member states and structurally unfavorable to the European Parliament. The initial impetus behind the creation of a «Community budget» via the Council Decision of April 21, 1970, calling for autonomous financing based on own resources, has not withstood the reluctance of member states to relinquish their fiscal prerogatives, nor the proliferation of free-trade agreements, which have progressively undermined direct European revenues (notably agricultural levies and customs duties) in favor of national contributions that now largely dominate the financing of Union policies. Added to this re-nationalization of the European budget is the continued sidelining of the European Parliament, which may have become a co-decision-maker on the expenditure side, but which remains a junior partner, since the budgetary procedure takes place under the sword of Damocles of the fiscal veto held by each of the Member States on the revenue side (own resources). Added to this is the fact that alongside the «Multiannual Financial Framework» there is a multitude of parallel and one-off mini-budgets (the European Development Fund, the European Stability Mechanism, the EU facility for refugees in Turkey, and recently of course the NGEU) whose priorities and instruments have been drawn up by national executives and their financial technocracies,[20] at the risk of opacity and political irresponsibility.

We can clearly see the weak metabolism of a Union thus deprived of the autonomous power to mobilize both the resources (through taxation, spending and borrowing) and the social and political legitimacy needed to achieve the monumental goals laid out in the values and objectives of the Treaties. At the same time, we can see the full range of changes required to transform the Recovery and Resilience Facility into a true public assets budget on a European scale. This will require, first and foremost, affirming Europe-wide solidarity through a tax on large fortunes, which is the only way to give the Union the means to drive the climate and social transition at a time when the public finances of member states have been severely tested by the responses to the Covid-19 crisis.[21] But we also need to build a democratic framework – a European assembly of national parliaments – capable of drawing up transnational social and political compromises (between countries as well as between social classes), and triggering the social ripple effect required for the ecological transition of European societies and economies. Political responsibilities remain primarily national, meaning that the European Parliament can scarcely be expected to «extract» the resources needed for this turnaround on its own. But it seems

20 — On this transnational network of EU financiers, see G. Sacriste, A. Vauchez, «The Euro-ization of Europe. The Extramural Rise of the Government of the Euro», in S. Hennette, T. Piketty, G. Sacriste, A. Vauchez (eds), How to Democratize Europe. Transnational Debate, Harvard University Press, 2020, pp. 9-45.

21 — In addition to the recently adopted CBAM, new own resources can be envisaged from the point of view of solidarity, via a tax on financial transactions, the establishment of a progressive European tax on large fortunes, or a tax on wealth in excess of 2 million euros, which would bring in 1% to 1.5% of European GDP (with relatively modest marginal rates, ranging from 0.5% to 3% of individuals' net wealth). On this subject, see Julia Cagé, Anne-Laure Delatte, Isabelle Ferraras, Stéphanie Hennette, Paul Magnette, Dominique Méda, Kalypsso Nicolaïdis, Thomas Piketty, Katharina Pistor, Antoine Vauchez, «Le verrou et le levier», Le Grand Continent, April 6, 2023.

equally inconceivable that the national parliaments, one by one, would be in favor of raising these resources to transfer them to the European level, and that last but not least, this would be subject to the veto of one or other of the many parliaments of the member states. On the contrary, a European assembly of national parliaments would be in a position to anchor European democracy in all social and political forces, by enlisting national and European political parties, trade unions, local authorities, NGOs and associations in transnational deliberations regarding the choice of public assets financed by European solidarity – possibly with the help of new participatory tools such as Citizens' Conventions, which would enrich its work. In this way, it would be fully equipped to democratically construct a large-scale European budget along the lines of the one recommended in 1977, for example, by the experts of the MacDougall Report, who were aiming for a «pre-federal» solution based on a budget of at least 5% of the European Union's GDP, i.e. 4 times more than the current budget.[22]

But if we are to embark on this path without any further delay, we need a new common method, because the customary rules of unanimity must not be allowed to stand in the way of the energy and social emergencies we face. Enhanced cooperation could begin immediately between interested member states, with other member states following suit. To take things a step further, interested countries could quickly sign a tax-energy treaty to provide themselves with the appropriate democratic governance in the form of a European assembly of national parliaments. Moving forward with those countries that wish to do so is precisely the principle that will enable the European Union to make its greatest advances, and give others the chance to rise to the historic moment we are now facing.





22 — For the various scenarios proposed by the McDougall report. We also recommend Antoine Vauchez, «Verrous, leviers et réinventions de l'Europe des biens publics. Pour une sociohistoire de la chose publique européenne», in Samanthan Besson, eds., Réinventions européennes. Colloque de rentrée du Collège de France, Odile Jacob, 2022.