Historical Archives of the European Union - European University Institute

Travelling Exhibition on the Occasion of the 60th Anniversary of the Treaties of Rome

‘EVER CLOSER UNION’
The Legacy of the Treaties of Rome for Today’s Europe

Remarks by Fabio Panetta
Deputy Governor of the Bank of Italy

European Central Bank - Frankfurt, 21 March 2017

I am delighted to speak at this commemoration of the 60th anniversary of the Treaties of Rome, which established the European Economic Community (EEC) and the European Atomic Energy Community.

Rome is not only the place where the European project came into being, but also the city that gave Europe its first 'economic and monetary union', more than 20 centuries ago. Indeed, if Emperor Augustus could be with us today, he would probably ask: '*What have you guys been doing all this time? You are still at the point where we left you two thousand years ago!*'

But the Emperor would be wrong. The 'monetary union' of the ancient Romans emerged through war, conquest and prevarication; ours is based on peace, political consensus and shared welfare. In fact, we have progressed a lot from where the ancient Romans left us.

The EEC Treaty was signed on March 25th, 1957, in the Palazzo dei Conservatori. It was an economic compact intended to transform European trade and manufacturing, but also to contribute to the construction of a political Europe. In the preamble, the signatories of the Treaty declared that they were:

- *resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe, […]*
- *anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions, […]*
- *resolved by thus pooling their resources to preserve and strengthen peace and liberty*.

These objectives were pursued by creating a common market and a customs union and by developing common policies. The framers of the Treaty were fully aware of the difficulties that the path towards a united Europe would encounter. The presence of less developed regions, with low incomes and inadequate infrastructures, was definitely a cause of concern.

For this reason the Rome Treaty foresaw the establishment of the European Social Fund and of the European Investment Bank, in order to provide financial support and reduce regional disparities.

For many years, the development of the European project contributed to economic growth in the Member States: the progressive abolition of tariffs favoured specialization, made it possible to reap the benefits of scale economies and stimulated efficiency and competition, with positive effects on employment and welfare.

The EEC subsequently evolved into the EU, becoming an area where Member States cooperate on a wide set of policies and citizens enjoy freedom and peace. In 1999 we introduced the euro, and even during the crisis we accomplished a lot in terms of deepening the Union.

And yet, this anniversary takes place in a period of heightened uncertainty. The anxieties generated by the crisis and geopolitical tensions – including the large migrant flows and civil war in nearby countries – have aroused uneasy sentiments among European citizens, thus giving further ammunition to anti-European movements, and narrowing the focus of the economic and political debate to mostly domestic and short-term issues.

The divergent views of the Member States on fundamental issues – from migration to economic policy – weaken the EU in the eyes of the international community and in those of European citizens. The reaction of public opinion has been one of concern and rejection. The European project is sometimes perceived as a bureaucratic superstructure and a source of redundant regulations; it is seen more and more as part of the problem, less and less as the solution. Should this situation persist, the future of the Economic and Monetary Union (EMU), and even of the EU itself, cannot – and should not – be taken for granted.

In my opinion, the necessary ingredients to strengthen the European project are precisely those that inspired the choices of the founding fathers. First, an unfailing faith in the importance of European integration. As Donald Tusk, President of the European Council, has asked European leaders, somewhat rhetorically: '*If we do not believe in ourselves, in the deeper purpose of integration, why should anyone else?*'

Second, it must be clear that, as President Draghi recently affirmed, for the EMU to be viable '*Members have to be better off inside than they would be outside…If there are parts of the euro area that are worse off inside the Union, doubts may grow about whether they might ultimately have to leave*'.

Finally, we must be able to design and put in place institutional arrangements and policies to address the pragmatic and pressing needs of all European citizens.

With these objectives in mind, we must admit that up to now we have not been able to claim success. True, during the financial crisis European institutions and Member States have demonstrated their willingness to invest in the European project. Measures have been taken to strengthen the EMU, such as the establishment of the ESM, the launch of the Banking Union, the introduction of new budgetary rules and the extension of multilateral supervision to macro imbalances.

However, what we have done so far is not enough. Those measures were often enacted in emergency conditions, and risked producing overlaps, redundancies and sometimes genuine mistakes. In effect, the reaction to the crisis relied almost exclusively on monetary policy. The ECB acted boldly to preserve price stability and to support the real economy. In the absence of its monetary policy measures, economic conditions would have been much worse, possibly leading to a deflationary spiral.

Going forward, it will be necessary to increase the incentives for reform and the coordination of economic and structural policies, and shift from an intergovernmental form of management based on the peer review of national policies to the formulation of genuinely common policies. The plan published by the European Commission in November 2012 and the report of the President of the European Council in June of the same year set the stage for a further strengthening of the EMU.

The SSM has been a success story. It rapidly became operational in supervising the largest banks and, in the euro area, it has contributed to stabilization, which is a prerequisite for economic growth. However, the Banking Union is still incomplete due to disagreement on the next steps to be taken. The Capital Markets Union is still embryonic, in spite of the fact that the free movement of capital is a long-standing objective of the European Union, dating back to the Treaty of Rome.

Finally, some form of fiscal capacity at the euro-area level would improve the management of cyclical conditions in various economies and in the euro area overall. To be fully effective, it would require the introduction of common debt instruments.

But, in order to move forward in the integration process we need, above all, to rebuild mutual trust, both at the political level and among citizens. The first step must be to tackle the weaknesses of individual countries, but such an effort must be sustained by progress in the European construction.

This is a demanding agenda, but as the late President of the Italian Republic, Ciampi, noted about thirty years ago '*for the civilization to which we belong [European integration] is the only way to avoid losing the thread that was broken by two world wars and retied by those with the vision to* *imagine Europe as a community*.' Without an integrated Europe, we may not be able to influence global phenomena such as migration, terrorism, climate change or the vagaries of an increasingly interconnected economy.

Returning to my starting point, in order to make our way forward we may need to look back at our history, cherish the good we see in the past and jettison the bad. The Roman 'economic and monetary union' was strong because it was backed by political union, and we should strive to achieve such a union – by peaceful means, of course; at the same time it was weak, because it was designed for the benefit of a few to the detriment of many, a mistake that we should certainly try to avoid today.