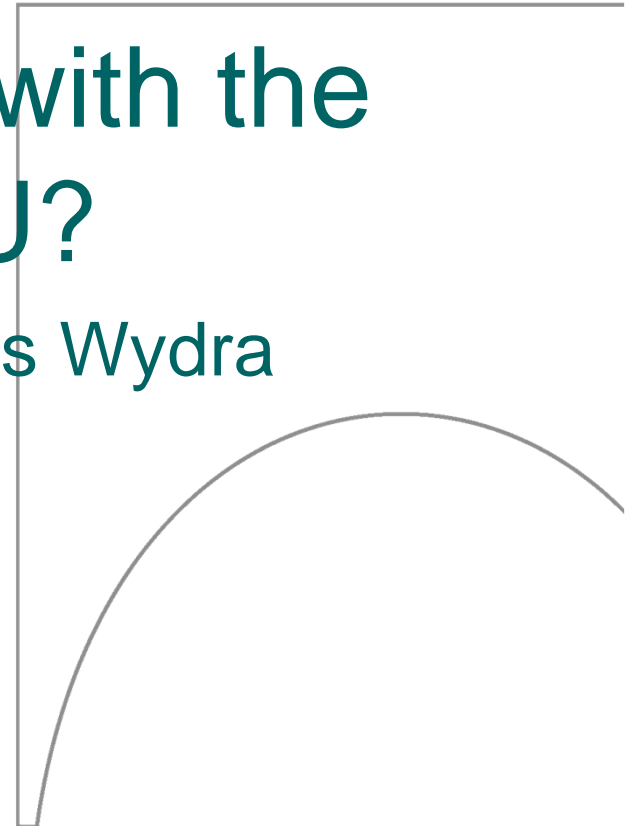


# Fiscal Federalism in the EU: Do Lessons from the US fit with the ideational setting of EMU?

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# Research Questions

- How to build a (political) community of heterogeneous members to pursue a common interest
- What do we learn from other experiences?
- What do we learn from a comparison with the US?
- Puzzle: Growing comparisons with the US, balance between positive and negative outcomes

# Community building

- Common threat and vulnerability (Eurocrisis)
- Accpetance of a hegemon (Germany?)
- Institutional separation of problem solving and re-distribution (Shift form European regulatory to re-distributional policy in the crisis?)
- (Scharpf 1994, 2012)

# Factors determining EU construction

- Integration concomitant with growth of national influence
- Joint decision trap & creation of supranational power to escape it
- Politics of compensation
- Asymmetrical integration of EMU (No OCA; simultaneous centralisation and decentralisation)
- Ad-hoc vs creative long-term solutions
- Generalised public support?

# EU-US Similarities and Dissimilarities

- **Constitutional moment**
- US: War of independence and ensuing problems leading to the Constitution of 1787 (also spurred by debts of war)
- EU: Federal vision and pragmatism (federalisation by stealth?) Constitutional Convention and negative referenda
- The Eurocrisis as constitutional moment?

# EU-US Similarities and Dissimilarities

- **The role of Courts**
- US Supreme Court: Oscillating between Centralisation and Decentralisation: Managing diversity
- ECJ: Motor of integration and constitutionalisation of the Union (supremacy and direct effect; implementing four freedoms; Fundamental Rights regime; mutual recognition; circumventing the joint decision trap; see also Pringle judgement 2012)

# EU-US Similarities and Dissimilarities

- **Creating a common currency**
- Long struggles to create a common currency and relevant institutions in both cases
- Debt administration triggering federalisation

# EU-US Similarities and Dissimilarities

- **Stabilisation and re-distribution**
- Diversity & Inequality: Inequality and socio-economic imbalances as threat to union
- Bail-out and Grant policy (US)
- No-bail-out clause & sound fiscal policy: voluntary in the US vs imposed in EU
- Problems of control & sanctions in case of infringement



# Fiscal Crisis, Integration Failure and New Constitutionalisation

- Where do we stand now?
- At the crossroad of deepening, re-nationalisation, differentiation and exit strategies (enlargement?)
- Aid & Austerity, Bailout & Conditionality
- EFSF/ESM, Sixpack, Twopack, Fiscal Pact
- Single Supervisory mechanism
- Supranationalism vs Intergovernmentalism

# Fiscal Crisis, Integration Failure and New Constitutionalisation

- Commission's "Blueprint for a deep and genuine EMU" (short-, medium & long term) (see also EP resolution)
- Reform within the Treaties
- Reform by Treaty Revision: Fiscal Federalism
- Legitimacy & Accountability: EP & NPs, Convention
- Elusion of the European Council? (see EUCO 205/12) Role of national elections

# Conclusions

- Similarities EU-US: difficult integration processes and institutionalisation of single currency; diverging interests and socio-economic developments; the role of courts; critical junctures spurring threat of disintegration as well as of „federalisation“
- Dissimilarities: constitutional moment; questions of legitimacy (EP and NPs), need for solidarity in interdependent economies, rescue of the welfare state