

## Willem F Duisenberg: What are the political consequences of the euro?

Introductory remarks by Dr Willem F Duisenberg, President of the European Central Bank, at the Karlspreis-Europa-Forum, Aachen, 8 May 2002.

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Ladies and gentlemen,

You have invited a central banker to open this round-table discussion on the political consequences of the euro. Some may consider this a somewhat odd choice of speaker. As you are well aware, independent central bankers are anxious to keep a certain distance from the political process. At the same time, I will not deny that my job as a European central banker is inextricably linked to the wider historical process of building an "ever closer union" of the peoples of Europe. The move to Economic and Monetary Union was a profoundly political act – despite the fact that the underlying rationale was predominantly economic, namely that a single market requires a single currency.

Understood in this sense, EMU itself is a "political consequence" of earlier decisions. A "product" of a functionalist approach to European integration. Successfully applied by the founding fathers of the Community, it has led us from a limited pooling of sovereignty in the coal and steel sectors to today's European Union. With ups and downs, pauses and great advances, and through grand visions and incremental steps. But throughout the process, integration has been driven forward by the inherent dynamics of market opening, of deepening economic interdependence and of continuous political engagement in common institutions. With the euro, this network of interrelations and mutual dependencies has undoubtedly acquired a new quality.

So where do we go from here? This round-table discussion will look precisely at this question. Its title refers to "political *consequences* of the euro" and insinuates, in this way, some kind of watertight relationship between cause and effect. As a central banker and economist, I am only too aware of the danger of misinterpreting concurrent developments as causal relationships and of the risk of treating simple extrapolations from current trends as predictions of future developments. Therefore, rather than talking about consequences, allow me to use the term "implications" and to distinguish between the likely "*policy*" implications and possible "*political*" implications.

By *policy* implications, I mean further policy measures that are needed to shore up the success of the single currency, and to ensure that the benefits of complementing a single market with a single currency are reaped in full. They are, one might say, the logical consequence of the euro, deriving from the same functional logic that I referred to earlier. My colleague, Otmar Issing, will elaborate on this later.

Trying to talk about the possible *political* implications of the euro, I am entering uncharted territory. As Niels Bohr famously once said, "prediction is very difficult, especially about the future". But there are fundamental questions about the future of Europe to be answered, and the subsequent discussion will hopefully provide interesting insights: Can Monetary Union function properly without some form of political union? Is a "currency without a state" a viable construct? Indeed, the question of whether a single currency requires – or inevitably leads to – a single state is hotly debated, not only among us, but also and especially in the three EU Member States where citizens and policy-makers have yet to make up their minds about adopting the euro.

I think that one of the reasons for this confused state of affairs is that "political union" is a rather abstract concept. It can mean different things to different people. On the one hand, "political union" can be broadly understood as a dense network of integrated policies, common rules and established procedures, as a Union with strong and active supranational institutions, with common symbols and a common identity. Measured against this yardstick, the EU already exhibits many of these features .

If, on the other hand, we understand "political union" as the establishment of an entity that resembles the traditional nation state, the European Union may still have some way to go, if indeed this is the direction we want to take. Today's Union is not a European Federation, for example, or a United States of Europe, with a constitution and a single executive, playing an active role in international affairs.

Will the euro lead us straight to a European constitution? The euro marks the achievement of full integration in the monetary field. In purely functional terms, it is therefore an endpoint, rather than an

intermediate step. However, with the euro, we now form a "*Schicksalsgemeinschaft*". Our economies are tied together, and so our policy decisions become a matter of concern for all. We have a legitimate interest in developments and political actions in other euro area countries, since we are affected by them – for better or worse. If I may use a "domestic" metaphor, the marriage in which the euro has joined our countries is more than just living under the same roof, it is about sharing a common vision and about managing life together.

This is why we are witnessing, in parallel to the establishment of Monetary Union, a move towards deeper political integration. Over the past decade, the political and constitutional edifice of the Union has resembled an almost perennial construction site. Today, the EU is faced with the challenge of devising a viable, transparent and democratic structure for a political community that encompasses almost our entire continent, a union that is capable of meeting the expectations of its citizens and is equipped to assume international responsibility commensurate with its size and importance. The Convention on the future of Europe is debating these issues, reflecting on what can be best achieved through central institutions and common rules, and what should instead be left to the Member States. The mandate of the Convention, as laid down by the Heads of State or Government, is a broad one, and the outcome of the process could be a European constitutional treaty, or even a European constitution. We should realise, however, that we have already achieved a lot, particularly in the field of monetary integration.

But for this constitutional process to succeed, Europe has to become more tangible, something that inspires a true sentiment of togetherness, not only among policy-makers, but also and especially among the citizens of Europe. With the introduction of the euro, we have taken a big step in this direction. One of the most powerful symbols of a common identity, money, is now shared by 12 European countries. In this sense, "the euro, our money" can provide a new and even more solid basis for the EU to discuss its *finalité politique*, the ultimate destination of its continuous process of building an "ever closer union".

Ladies and gentlemen, I look forward to a fruitful, informed and hopefully enlightening debate. Thank you very much for your attention.