

## Mario Draghi: Reviving the spirit of De Gasperi – working together for an effective and inclusive Union

Speech by Mr Mario Draghi, President of the European Central Bank, at the presentation ceremony of the De Gasperi award, Trento, 13 September 2016.

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I have many reasons to be grateful and honoured by your decision to award me the *Premio De Gasperi* today. His character and his experience provide us with an inspiring message, loud and confident: “In Europe we go forward together in freedom”.

This message is rooted in the 20th century history of our continent.

The *raison d'être* of any government is to provide security for its citizens, both physically and economically. And in democratic societies, that means providing safety and security by preserving individual liberties and individual rights, by promoting social fairness and equal opportunities.

The statesmen who, after World War Two, looked back over the preceding half-century could reach only one conclusion: that the governments which emerged from nationalist and populist movements, and which were carried into power by a mixture of charisma and lies, completely failed to offer their citizens security, fairness and freedom. They had betrayed the very reason for their existence.

In outlining the future shape of international relations, De Gasperi and his contemporaries concluded that only cooperation between European governments within a common organisation could ensure the joint security of their citizens.

They saw that implanting democracy in the nations of Europe would not be enough. Europe also needed democracy among nations. They understood that building barriers between countries would make them more vulnerable and less secure, not least due to their geographical proximity; and that withdrawing behind one's borders would make governments less effective.

De Gasperi's vision of how this joint process should be shaped was articulated in various speeches he gave in those years.

Common challenges should be addressed via supranational instead of intergovernmental strategies. Speaking to the assembly of the European Coal and Steel Community in 1954, De Gasperi noted that “...from 1919 to 1939, some seventy international treaties were concluded – and all became mere pieces of paper when it came to their implementation” because of the lack of “joint control of common resources”.<sup>1</sup> And the experience of politicians was validated by distinguished economists, such as Ragnar Nurkse, who showed how those treaties ended up fostering protectionism.<sup>2</sup>

Integration above all had to meet the immediate needs of the people. As De Gasperi observed, “We must begin by pooling only what is strictly essential to the achievement of our immediate aims, and do this by means of flexible formulae which can be gradually and progressively applied”.<sup>3</sup>

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<sup>1</sup> Speech on the occasion of his election to the Presidency of the Common Assembly of the European Coal and Steel Community, Strasbourg, 11 May 1954.

<sup>2</sup> R. Nurkse (1944). “International Currency Experience”. Geneva: League of Nations.

<sup>3</sup> Speech to the Consultative Assembly of the Council of Europe, Strasbourg, 16 September 1952.

And joint action had to be focused on areas where, evidently, individual action by governments was not sufficient: joint control over the raw materials of war, in particular coal and steel, was one of the first examples.

In this way, the founders of the European project were able to pair effectiveness with legitimacy, since the process was legitimised by both popular consensus and the support of governments. It was focused on areas where the action of European institutions and the benefits for the people were directly and visibly related. And joint action did not limit the authority of governments, but rather buttressed it, and thus found their backing.

But it was not only the disastrous experience of the past that motivated De Gasperi and his contemporaries. It was also the immediate successes which were made possible by the initial decisions of the post-war period.

### **The achievements of working together**

The establishment of peace – the crowning achievement of the European project – immediately produced growth and laid the foundation for prosperity. Set against this was the devastation wrought by the two world wars. Real GDP per capita fell by 14% during World War One and by 22% during World War Two, wiping out many of the gains that had been made during the preceding years.

Economic integration built on peace in turn produced significant improvements in living standards. Since 1960 cumulative growth in real GDP per capita has been 33% higher in the EU15 than in the US. Incomes in poorer European countries have also converged towards those enjoyed by richer ones.

And EU citizens have gained the right to live, work and trade throughout the Union – and to benefit from equal protection, wherever they are, provided by European courts of law. Indeed, the process of coming together in a single market, one of the greatest achievements of the European project, was never solely about increasing market integration and efficiency. It was above all a choice of values of a free, open society – a choice made by the people of the European Union.

The European project has firmly established political freedoms, too. From the outset the promotion of free democracy has been at its heart. As a guarantor of democratic principles, the EU has acted as a point of reference for countries eager to escape dictatorships or totalitarianism, such as Greece, Portugal and Spain or those of central and eastern Europe. The Copenhagen criteria and the Charter of Fundamental Rights ensure that all EU countries respect a set of well-defined political principles enshrined in national and European law.

There is no doubt that these freedoms have contributed immensely to the well-being of Europe. And it is because of these freedoms that many migrants and refugees are looking for a better future in the European Union today.

In short, European integration has provided its citizens with physical and economic security – perhaps for longer than ever in the history of Europe – while also spreading and instilling the values of an open society. The founders who began this process, and we who have carried it on, have demonstrated to the world that freedom and security are not mutually exclusive. By consolidating democracy we have secured peace.

### **New challenges for Europe**

The more recent years of the European project have been characterised, however, by growing dissatisfaction. This was expressed perhaps most clearly in the referendum on 23 June, when the people of the United Kingdom voted to leave the European Union.

For some EU countries, these years have entailed the most serious economic crisis since the war, with unemployment, especially among the young, reaching unprecedented levels and

welfare states constrained by low growth and stretched public finances. It has been a time when, in an ageing continent, uncertainty has grown about the sustainability of our pensions systems. And a time when large-scale migration has called into question established ways of life and long-accepted social contracts, and stirred up feelings of insecurity and defensiveness.

The disaffection certainly has other causes, too. The end of the Soviet Union and of the nuclear threat it posed has diverted attention from the notion of “safety in numbers”. The shifting balance of power among the largest nations; ongoing urgent geopolitical tensions, wars and terrorism; climate change and the effects of continual, inexorable technological progress – all of these factors have, in a short period of time, interacted with the economic consequences of globalisation and intensified feelings of insecurity, especially in a world that was inattentive to how the extraordinary benefits of that globalisation were being distributed.

Indeed, while in emerging economies globalisation has liberated hundreds of millions of people from crushing poverty, in advanced economies the real incomes of those in the lower half of distribution have remained at the same level as a few decades ago. It is not surprising then that many have felt left behind. Anxiety is growing.

The policy responses to this have at times been reminiscent of the interwar period: isolationism, protectionism, nationalism. And this also happened in previous eras. At the end of the first phase of globalisation, in the early 20th century, several countries, including those with a tradition of immigration, such as Australia or the United States, introduced restrictions on immigrants, in reaction to fears among workers that new entrants who were willing to accept lower pay would take away their jobs.

But while such policy responses can be justifiably rejected, it must not prevent us from reviewing how the mode of European integration itself has also contributed to disaffection. Here again, De Gasperi’s own prescient words help us understand what has happened:

*“If we restrict ourselves to creating shared institutions, without a higher political will invigorated by a central body in which the wills of nations come together (...) we risk the possibility that compared with the various national strengths, this European venture may seem cold and lifeless – it could even at times appear a superfluous and even oppressive extravagance”.*<sup>4</sup>

The structure of the European Union is solid and its fundamental values remain its base. But the integration process needs to be guided towards outcomes that are more efficient and more directly aimed at the people, their needs and their fears – and less focused on institution-building. European institutions are not accepted *per se* by the people, but only as necessary instruments to provide those outcomes.

Yet on other occasions it has been institutional incompleteness that has prevented authorities from being able to handle the challenges arising from external shocks. Consider the Schengen Agreement. It largely abolished Europe’s internal borders, but it did not envisage a strengthening of the continent’s external borders. So when the migration crisis erupted, it was seen as a destabilising loss of security.

The response of both the European Union and the Member States to these needs and fears has so far been insufficient. Surveys show that, together with a drop in support for economic integration, trust in both the European Union and even more so the Member States has fallen.<sup>5</sup>

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<sup>4</sup> Speech to the Consultative Assembly of the Council of Europe, Strasbourg, 10 December 1951.

<sup>5</sup> Standard Eurobarometer No. 85.

This does not apply only to Europe. The data show that in the US, too, people's trust has declined in almost all institutions, including the Presidency, Congress and the Supreme Court.<sup>6</sup>

The fact that this is a worldwide phenomenon cannot however exonerate us Europeans, because we are the only group of people in the world to have built a supranational polity in the certainty that it was indispensable to provide security where individual countries could not.

### **Is Europe still the answer?**

So the question is simple, but fundamental: is working together still the best way to solve the new challenges which we face?

For various reasons the answer is an unequivocal yes. If those challenges are continent-wide, acting exclusively at national level is not enough. And if they are global, collaboration between the Member States gives Europe a strong voice.

The recent climate change negotiations serve as an example. This global issue can only be addressed through internationally coordinated policies. And the critical mass of Europe speaking with one voice has produced results well beyond the reach of individual countries. Only the pressure exerted by European countries forming a common front was able to make the Paris climate conference a success. And only the EU's existence allowed that common front to be built.

In a world where technology is diminishing physical barriers, Europe is exerting influence in other ways too. Its ability, with its market of 500 million consumers, to impose global recognition of property rights, or respect for privacy rights on the internet, is obviously stronger than any of its members could hope for alone.

National sovereignty remains in many respects the fundamental element of each country's government. But for challenges that transcend national borders, the only way to preserve sovereignty – that is, to make the voice of citizens heard in a global context – is for us Europeans to share sovereignty within the European Union, which has served as a multiplier of our national strength.

And where responses can only be provided at the supranational level, we should adopt the same approach that allowed De Gasperi and his contemporaries to secure legitimacy for their actions: we should focus on those actions that deliver tangible and immediately recognisable results.

There are two kinds.

The first kind of action is to complete those initiatives that are already under way, because stopping half-way is the most dangerous option. We would partially disempower national states without creating – at Union level – the capacity to provide at least as much security to the people.

The process of opening borders requires common institutions to safeguard freedom and fairness among its members. A free and single market is not anarchy: it requires that all its members are subject to the same laws and rules; and that they all have recourse to the same courts where those laws can be applied uniformly. This is why a true single market is a political construct. And if those institutions do not exist or do not function properly, borders will ultimately be restored to provide the security that people demand.

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<sup>6</sup> Jeffrey M. Jones: Confidence in U.S. Institutions Still Below Historical Norms, June 2015. See <http://www.gallup.com/poll/183593/confidence-institutions-below-historical-norms.aspx>.

Thus to protect the single market in all its forms – and the commitment to an open society which it represents – it has to be completed.

What is different from the past, however, is that today we must devote more attention to the redistributive aspects of integration, and especially to those people who have paid the highest price. I do not think there will be significant progress in terms of opening up markets and competition if Europe does not listen to the demands of those left behind by a society built on the pursuit of wealth and power; if Europe, as well as being a catalyst for integration and an arbiter of its rules, does not also moderate its outcomes.

That moderating role is today assigned to nation states, yet in many cases they are lacking the strength to fulfil it fully. It is a task that has not yet been defined at the EU level. But a greater role for the EU would satisfy the characteristics that De Gasperi identified: buttressing the activities of governments and therefore legitimising European action. Recent discussions about tax fairness and a European unemployment insurance fund, about professional retraining funds and other projects with the same idealistic goals, all go in this direction.

But because Europe should only act where the national governments are unable to act alone, the response must still come first and foremost from the national level. We need policies that unleash growth, reduce unemployment and empower individuals, while offering essential protections for the most vulnerable.

For the second kind of action, if and when we initiate *new* common projects in Europe, they should adhere to the same criteria that brought success 70 years ago: they must be based on a consensus that action is truly necessary; the projects should complement the actions of governments; they should be clearly linked to people's immediate concerns; they should unequivocally concern matters of European or global significance.

If these criteria are applied, there are many areas in which Europe does not need to get involved. But there are also important areas where it clearly needs to, and where European initiatives are not just legitimate, but even essential. Today this notably includes the fields of migration, security and defence.

Both types of action are essential because unresolved internal divisions, for instance concerning the completion of Economic and Monetary Union (EMU), are likely to distract us from addressing the new geopolitical, economic and environmental challenges. This is a real danger in Europe today – and it is one we cannot afford. We need to find the strength and wisdom to resolve our differences and go forward together.

To do that we need to rediscover the spirit that led a small number of great leaders, in much more difficult conditions than we face today, to overcome mutual suspicion and succeed jointly instead of failing separately.

So to conclude, let me quote again Alcide De Gasperi, whose words resonate as much today as they did in 1952:

*“Economic cooperation is, of course, a matter of compromise between the natural desire for independence of each participant and overriding political aspirations. If European economic cooperation were dependent upon the compromises put forward by the various administrations concerned, we should probably be led into weaknesses and inconsistencies. So it is the political aspiration for unity which must prevail. We must be guided above all by the overriding realisation that it is essential to build a united Europe in order to ensure for ourselves peace, progress, and social justice”.*<sup>7</sup>

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<sup>7</sup> Speech to the Consultative Assembly of the Council of Europe, Strasbourg, 16 September 1952.