

# Mario Draghi: The Monnet method - its relevance for Europe then and now

Speech by Mr Mario Draghi, President of the European Central Bank, for the Award of the Gold Medal of the Fondation Jean Monnet pour l'Europe, Lausanne, 4 May 2017.

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*“The problems that our countries need to sort out are not the same as in 1950. But the method remains the same: a transfer of power to common institutions, majority rule and a common approach to finding a solution to problems are the only answer in our current state of crisis”.*<sup>1</sup>

Many would see this quote as a fair representation of how to approach the numerous challenges that our governments face in 2017, and which no country can realistically address on its own. But those words were not spoken with our current situation in mind. They were spoken by Jean Monnet in 1974.

They illustrate that if his leadership has been so powerful, it is not just because of what he achieved in his lifetime: it is because Jean Monnet developed a method of government whose effectiveness extends beyond the special circumstances in which he lived. His method was applicable to the very different circumstances of 1950, of 1974 and today – and indeed, to the years in between and still to come.

I emphasise this not to revisit Monnet’s extraordinary contribution to the history of our continent. It is because there are aspects of his method which remain crucial to guide our action in Europe today: namely, its focus on **effectiveness**, its insistence on **subsidiarity**, its **sense of direction**, and its concern for **democratic backing**.

I would like to explain why Monnet’s approach to integration remains as relevant for Europe now as it was then, and how his ideas can still guide us in making integration a success.

## 1. The principles of the Monnet method

Faced with challenges that overwhelmed their own capacity, Monnet’s fundamental objective was to put governments back into a position to discharge their remit – meaning their capacity to ensure security, guarantee freedom, and create the conditions for the prosperity of their people.<sup>2</sup>

His focus, in other words, was on **effectiveness** – and this goes a long way towards explaining why he moved away from the intergovernmental model of international cooperation that had dominated the first half of the twentieth century and proposed, for the first time, a supranational model.

Intergovernmental solutions, he believed, had not just failed spectacularly in the interwar years, but inevitably failed to take account of the common interest. As he wrote, “cooperation between nations, however important it may be, does not resolve anything. What one has to seek is a fusion of the interests of European people, not just to preserve a balance among those interests”.<sup>3</sup>

Thus he promoted his supranational method of decision-making based on common institutions and majority rule for two reasons. First, because such institutions could execute and decide in the common interest; and second, because they could produce economies of scale via the pooling of resources, thereby increasing the effectiveness of policymaking.

In this way, his approach to sovereignty was essentially positive. He did not conceive of sovereignty so much in terms of normative rights as in terms of power and efficacy. And for that

reason, if transfers of sovereignty to a supranational body were the best way to deliver peace, wealth and security, then he did not see that as constraining the sovereignty of nations, but rather as merging and extending it.

But Monnet was nonetheless anxious to ensure that such transfers were perceived as legitimate by the people. It is interesting in this context that he preferred not to use the word “supranational”, perhaps because it was too susceptible to being misunderstood as a policy that removes control from citizens.<sup>4</sup>

He therefore deliberately opted for a gradual approach based on the **principle of subsidiarity** – what he called initiatives in a limited, but decisive area. Precisely because pooling sovereignty had to be seen not just as effective, but also under democratic control, European integration could only happen if it focused on areas where there was an immediate need and where it could augment the existing governmental or intergovernmental policies.

Yet this pragmatism should not be mistaken for a random approach to integration. Monnet also argued that a clear **sense of direction** was vital to the overall trajectory – that “the route that we take is less important than the direction we travel in”.<sup>5</sup>

Indeed, the fact that union in Europe began in the limited area of economic cooperation – coal and steel – does not mean that it was not intended to be a political union. For Monnet, economic integration was always a foundation of political union, with the single market leading to the single currency and eventually a federation.

Thus from the very start he affirmed the political nature of the European project, and consequently the importance of the **democratic underpinning of its institutions** – insisting that the new pan-European executive be subject to the double scrutiny of a parliamentary assembly and a fully-fledged court of justice. He also advocated that the new institutions have the “transparency of a house of glass”.<sup>6</sup>

## 2. Why working together remains essential

Since then, the Monnet method of common decision-making within common institutions has spread across several fields in Europe. A growing number of countries have pooled sovereignty in a broad range of areas, including, as regards my own institution, money and banking supervision. Democratic controls have increased in tandem, not least through the role of the European Parliament.

But we know that European integration still raises doubts. Some question whether, with war in Europe now unthinkable, working together within common institutions remains the best solution to the nature of the challenges we face. Yet if we apply Monnet’s rationale for common action – to make states more effective in delivering their remit – the answer to that question is clear. His approach is *even more necessary* now than it was then. And this is for three key reasons.

The first is the relative decline in the weight of European countries in global affairs.

In motivating the case for a common approach, Monnet wrote in 1954 that “our countries have become too small for today’s world, faced with the ... America and Russia of today and the China and India of tomorrow”.<sup>7</sup> This was at a time when Europe represented 37% of global GDP and 13% of the world’s population. Today, the figures are 24% and 7%. It has therefore become even more important that European countries are able to pool their resources and exploit economies of scale.

The second reason is changes in the structure of international relations linked to technology and the environment.

Over the last 60 years, the increased power of technology and the impact of humans on the natural environment have created an increasing number of areas where traditional borders are being eroded. These include the spillovers of climate change, the effects on government budgets of more mobile capital, and terrorist threats that transcend physical and virtual borders. In each case, governments can only take effective action by acting together as a union.

The third reason is our commitment to open trade.

Open trade is not imposed on us by nature or technology. But it has now become so profoundly crucial to our prosperity that no country can close itself off from trade without committing a profound act of self-harm: indeed, two-thirds of EU imports are raw materials, intermediary goods and components needed for firms' production processes. This means that – since trade has both benefits and costs like other types of cross-border challenges – it is a condition that we have to manage together.

Here again we are more effective acting as a union: at the European level, because we can generate more wealth through a deep and integrated market, while putting in place arrangements to contain unwanted spillovers and temper some of the redistributive consequences of openness; and at the global level, because our large single market gives us greater leverage in setting global rules.

This is true in the World Trade Organization, in bilateral trade agreements and even in the setting of global regulatory standards – the so-called “Brussels effect” means that the EU has a great influence on the global rules across a range of areas, such as food, chemicals and the protection of privacy, and thereby exports its values.<sup>8</sup>

The point is clear: in a world where Europe's relative size is shrinking and where technology, the environment and the market are permeating national borders, the case for acting together as a way to regain capacity is stronger than ever. European action has expanded so much since Monnet's day precisely because it has proved its necessity. And in the light of the new challenges we are facing, acting together as a union remains vital to delivering in the true interest of citizens.

This is an important point to remember when one hears opposition to the EU couched in terms of regaining control. Monnet and his contemporaries conceived the EU *precisely as a way to take control* of events that national states acting alone could no longer influence. And that remains the case today.

### **3. Conditions for European integration to succeed**

So why, if the case for European integration is only growing stronger, is anxiety about it growing stronger too?

In part, such feelings are a result of misplaced blame – that is, the EU being wrongly held responsible for decisions that belong to the Member States.

A case in point is monetary union, which is sometimes claimed to be the cause of low growth in parts of the euro area. Yet we have seen that for countries that implemented structural reforms and ran sound fiscal policies, the single currency has been no barrier to success. In fact, those that pursued the right policies have been able to reap the benefits of the euro in a more effective way.

Still, this is clearly not a sufficient explanation for anxiety about Europe: we also have to ask ourselves if the integration process is delivering as much and as well as expected. Making the case for acting together is, after all, only one half of building support for the European project. The other half is to do it well. And this is where the other key insights of the Monnet method are essential.

If we listen to what citizens in Europe are saying, there are three areas where improvements are needed.

The first is to provide clarity of purpose to the European project. What citizens seem to be asking for is a clearer sense of what the EU is for and how it benefits them – that is, how it expands their life choices and empowers them.

The second is to ensure delivery. If EU citizens are to endorse the notion that common action can improve their lives, they have to see that in areas where the EU does act, it is effective. And this requires, in areas of EU competence, that powers are delegated to the Union that allow it to do its job properly.

In several instances, however, we have launched “half-built houses” – common projects with an incomplete transfer of powers. This shifts expectations onto the EU only for it to lack the instruments to fulfil them.

Yet it is also clear that legitimacy for EU action comes not only from delivery – it also requires a proper democratic process that allows decisions to be challenged. And this leads to the third area: even where the EU succeeds in delivering its objectives, there is a sense that citizens would like to feel more in control of the process.

Put another way, it is not enough for the EU to give people more control over *events*. People also need to feel in control of its *policies*.

In different ways, each of these three areas for improvement map onto the principles that Jean Monnet laid out. For example, if there are questions today about the EU’s clarity of purpose, then one answer is to be more rigorous in how we apply the principle of **subsidiarity** when considering future steps towards integration.

As Monnet said, “we need a Europe for that which is essential ... a Europe for what nations cannot do alone”,<sup>9</sup> because this ensures that EU action always augments that of the Member States – and makes it clearer to citizens how joining together adds to their lives. So the Union should only act in areas where it can meet a clear need of citizens and where it can provide an effective platform for doing so.

But if we are rigorous in applying the subsidiarity principle, then we also need to be rigorous in giving each level of government the powers it needs to perform its tasks successfully. So when we entrust tasks to the Union, we should make sure that it has the instruments and competencies it needs to be effective. In this way, subsidiarity – properly applied – should be seen as empowering the Union method, not weakening it.

Similarly, if there are doubts about the EU’s capacity to deliver, then the first thing we need to do is finish the projects we start. But to do so requires, as Monnet always emphasised, a clear **sense of direction** for the European project – a sense of what the end goal of the integration process should be. Simply put, to avoid being stuck in half-built houses, we need their final blueprints.

For example, it is widely agreed that Economic and Monetary Union remains incomplete. But it will be hard to move forward unless we have a shared vision of what a complete monetary union should look like. And this is not only because such a vision would help orient the steps we are taking today – it is also because it would make the process fully transparent to citizens.

And this leads to the last point emphasised by Monnet: the need for **accountability and transparency**.

There is much that could be said here, but I will limit my remarks to the institution that I head. The

ECB has been acutely aware that, as its monetary policy has become more far-reaching and it has taken on a wider range of powers, it cannot justify its actions solely in terms of outcomes. We have needed a higher degree of transparency and accountability so that citizens can understand how we make our decisions and subject them to greater scrutiny.

This is why we now publish accounts of our monetary policy meetings. We visit national parliaments to explain our policy in more detail. We agreed to the request of the European Parliament to be informed about discussions held in the Basel Committees. And this is in addition to our regular press conferences, appearances before the European Parliament, and regular visits by MEPs to Frankfurt.

I do not claim that these initiatives will be enough to answer all the concerns that European citizens have. But we are fully committed to demonstrating that we are answerable to them.

#### 4. Conclusion

So in sum, what is on trial today is not – and should not be – the method of integration pioneered by Jean Monnet.

It is beyond question that we face challenges today that can only be addressed by countries in Europe acting together. It is beyond question that, in the right areas, Monnet's method has helped European governments regain control over events and exercise effective sovereignty. And it is highly likely that the number of challenges that require such an approach will rise.

What *is* being tested, however, is our ability to manage integration in a way that not only delivers output legitimacy, but also a European *affectio societatis*. And that should encourage us to listen to the questions that are being asked of Europe and to be ambitious in responding to them.

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<sup>1</sup> Monnet, Jean (1974), *L'Europe et la nécessité*, Archives de la Fondation Jean Monnet pour l'Europe, May.

<sup>2</sup> This understanding of Jean Monnet's thinking draws on Grin, Gilles (2017), *Shaping Europe: The Path to European Integration according to Jean Monnet*, Jean Monnet Foundation for Europe, Debates and Documents Collection, Issue 7, Lausanne, March.

<sup>3</sup> Monnet, Jean (1976), *Mémoires*, Fayard, Paris.

<sup>4</sup> *ibid.*

<sup>5</sup> Monnet, Jean (1955), *Téléphoner Volf... Mon cher ami, ...*, Archives de la Fondation Jean Monnet pour l'Europe, May.

<sup>6</sup> Monnet, Jean (1976), *Mémoires*, Fayard, Paris.

<sup>7</sup> See Grin, Gilles, *op. cit.*

<sup>8</sup> Bradford, Anu (2012), "The Brussels Effect", *Northwestern University Law Review*, Vol. 107, No 1.

<sup>9</sup> Reflection paper by Monnet, Jean (1965), *Les Portes*, Archives de la Fondation Jean Monnet pour l'Europe, August.