The Five Presidents' Report and the economic governance: Towards a federal and more neoliberal EU?.

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The Greek episode lived in 2015 was a sign of the limits of Euro System and how exhausted is indeed the economical design of the current EU. The EU has developed fragile and twisted economical instruments. The EU counts only with an insignificant fiscal policy and a minor spending policy, and try to orientate the great lines of the national economic decision in basis of the European Semester scheme. This scheme is in charge of coordinating the management of the national macroeconomic policy, focusing in the public deficit and debt control -the fiscal consolidation-. So, uneven nationals contributions in terms of economical capacity to a small EU budget (1% GDP) and a weak and problematic investment plan (Plan Juncker) are not able together to face the economic and financial crisis. Even less they are in conditions to offset the increasing concentration of power, income and wealth in all over EU, between, in one hand, the core regions and elites, and, in the other, the peripheries and working classes. Therefore, for the time being, the most important instrument has been the monetary policy deployed by the ECB. Beyond of the problematic ECB design ant the applied financial orientation, the monetary policy has gone too far. Right now is also useless to foster the investments and unable to prevent the clear deflation trends[1]. The net of the liquidity trap has caught the macroeconomic evolution. We can see how the Quantitative Easing programme has been developed up to the extreme. This particular expansive monetary policy, serving the private banking sector interests, has demonstrated that it cannot provide financing or credit to the productive sector in such a way to trigger a balance development. Furthermore, scarcely it has achieved anything else than the delay of the next and sure effects of a new recession.

The financial instability, the economic stagnation and deflation are still with us, likely in a more grave point, although their worse consequences has not been materialised yet. Due to this, the EU institutions are pushed to launch some important changes in order to address a new and broader banking crisis. Meanwhile, a new adjustment project for Europe is put in place. The Five Presidents' Report seems to play this role.

This Report, has been drafted by the European Commission President (Jean-Claude Juncker) with the collaboration of presidents of the other outstanding european institutions: Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz. It consists of a plan made up three stages. The first one is formally underway since last October and the entire lasting is for ten years, looking for the "streamlining of the European project".

The Five Presidents' Report puts forward a more developed model of Neoliberalism of State, based in the recentralisation and federalisation of further powers in Brussels.

Indeed, they ruling classes are dealing with the likely financial bankruptcy, deemed as the necessary step before trying to boost the European growth. In fact, Merkel absolutely prioritises the banking union measures before to do anything else, mostly to protect the private financial corporations of her country and the alliances of Centre Europe. In the view of the elites, the banking sector is the equivalent of the economic backbone and nothing else goes first than it. Nevertheless, the bureaucracy of the EU institutions is aware that is needed a more ambitious project. Its content is drafted in this Report. The measures put in place go further and they are raised in order to complete the economic architecture being

[1] According to OECD in June 2015 the inflation in EU dissapeared and in October the IMF calculated roughly the 0,2%, following data registered by the European Parliament (“Key macreoconomic indicator in the Euro Area and the United States). November 2015.

able to address a stronger control of the macroeconomic management.

In this sense, the project develops a line of fiscal union after the banking union, in order to back the exhausted monetary policy and the failure of the macroeconomic coordination and the economic governance (European Semester). In order to reinforce it, the Five Presidents' Report integrates several intergovernmental instruments and agreements within the European Treaties. And these tools, insofar the TTIP and CETA are the main external trade policies, are the most important internal initiatives regarding EU, as important or more than Maastricht Treaty.

The *Financial Union* is the first to be put in place, initiative very stressed by Germany. Let us to insist in the European Stability Mechanism, the well-known financial whip that hit many peripheral countries. The ESM is going to be included into the Treaties. This huge financial instrument, so far intergovernmental institution, would be in conditions to extend the same experience lived in Portugal, Ireland, Spain, Cyprus and Spain towards any country in banking difficulties. The Brussels bureaucracy says that it has been conceived with the aim to stabilising the Eurozone. Although the fact it is applied to impose adjustment measures against the people in exchange of financial aid for the banks. The ESM is a tool to facilitate a debt mutualisation under the core countries control, which leads this fund. But the high cost of this fund (it counts with 80 billion euros, as a public guarantee, capable to mobilise up 700 billion euros after issuing bonds)[2] has pushed to define a particular model of Banking Union in order to avoid the financial contagion of peripheral banking crisis. So, the scheme raised defines the procedure to restructure those banks with solvency problems, before using this fund. In our opinion this fund is foreseen to bail out systemic banks in the core countries.

There are some new supervisory institutions working to evaluate the medium and big banks, very close to the ECB management: the Single Supervisory Mechanism, the Single Resolution Mechanism, or the European Systemic Risk Board. One of the most controversial proposals is the Guaranteed Deposit System, scarcely one of the few interesting points of this scheme, which is going to be rejected by the governments of the richest countries.

In order to engage and facilitate to private investor to acquire these public bonds a more flexible capital market regulation (*capital market union*) is going to be stablished.

The Five Presidents' Report, in short, poses a particular federalist project for the EU. The diagnosis is that the weight of Members States is so heavy that impedes getting more efficiency and a more coordinated economy. Behind that, the aim is as recovering the profit rate as subordinating the national sovereignty, at least the sovereignty of peripheral countries. Really hardly are envisaged significant redistributive items. The democracy, in the decision making, is eroded at the end. The Eurogroup would be included as an EU institution, leaving aside its intergovernmental condition, and its director would be reinforced.

The project reinforces the economic governance stablished so far. The incompliance of the Stability and Growth fact is going to be more difficult from now to the future. In order to streamlining the competitiveness and profitability of European market is also foreseen Competitiveness National Authorities in charge of coordinating several key fields. The Member States should follow the instructions of these Authorities, dependent of the Commission and the Council, in order to decide any fiscal regime changes, and new wage policy or public budgetary

[2] In any case, an amount completely insufficient to tackle the bankruptcy of several systemic banks at the same time.

aspects. There are clear points claiming to prevent progressive tax reforms, increasing burden tax and high public expenditure and deficit. The salary evolution has to be aligned below the labour productivity as well, and those agreements reached by employers' associations and trade unions would be subordinated to this pattern. Definitely, collective agreements lose their main powers on labour regulation. Summarising, the fiscal and salary devaluation are going to be deepened. Most of all, it is more clear in a single currency framework without a distributive social policy, nor progressive fiscal regime nor a proper market regulation.

The chapter concerning to the *Economic Union* pursues to reinforce the powers of ECB with some manner of fiscal union. A Single Treasure is not envisaged from the very beginning, although the integration of the European Stability Mechanism (a huge fund that mobilises 700 billion euros, set up to intervene in financial and banking crisis) into the Treaties, is the way to reach such a instrument at the end of the project. It has demonstrated its power to impose adjustment policies and hard conditionalities applied to entire countries and their public sector in order to bailing out and restructuring their private banking sector. Although it is not fully defined, the future Single Treasure, likely the EU Budget and ESM sum, does not implies the tax burden increase, insofar the aim is to reduce it at national level meanwhile the European level would increase its own resources. Basically, it means a higher centralisation of resources in the EU, against national decision making.

The *Budgetary Union* goes in detriment of National Budgets in this context. Combined with the National Competitiveness Authorities allows small room to manoeuvre regarding national governments.
Furthermore, the project envisages the nomination of a Eurozone single external representative in order to defending the euro role as one of the main international currencies in the world.

An alternative is possible.

Beyond the tensions between Germany and the Brussels' Burocracy, which stresses the likely problems to implement all the foreseen steps, the Five Presidents's Report implies the federalisation and the recentralisation of competences in the UE. But far of a real convergent project, it does not point to more redistribution, nor more democracy. On the contrary, it gets more powers to the financial elites and the European autocracy.

In fact, this is a huge project to extend the socialisation of private debt, after the turning of them into public debt throughout a neoliberal of state model (the public sector rescuing the capital and punishing the tax payers, the productive sector, the working classes and those more vulnerable people). It is a far of a political union and fiscal union under a democratic process.

Fortunately, there is some atmosphere of hope. Some left and parties close the popular classes has reached or can do it some governments very soon, putting some resistance to this initiatives. There are also some interesting initiatives at international level, after learning the Greece experience, warned to avoid an isolated initiative. The Plan B Conferences are a good space of debate to open a reflection on how to fight the austerity and promote democracy. Whatever intergovernmental or federalist projects are there they have learnt that is a necessary a mutual support and cooperation at supranational level. In all the cases the social movements are taking into account that some points deserve to be faced. The question of austerity is the common enemy. The debt and the current institutions that build the architecture of the single currency are the spine behind the social conflict in the modern times. The challenge is promoting a broad organised movement at international level to fight the "austeritarian" policies. Likely, after winning this battlefield could be seen the seeds of a new society in the horizon.