

The “Truth” about Europe and the euro: Greece

A third Essay

Part one

Q. Professor, in the preface to your essay “The truth about Europe and the euro”, Professor James Galbraith, an authoritative American economist who pays close attention to events surrounding Europe and the euro, characterises the theory that you put forth as “astonishing” and “shocking”, but also “supported by the tremendous power of truth”. You affirm that on 1.1.1999, the date on which the euro was to be officially adopted according to the Maastricht Treaty on the European Union, in place of the currency governed by the Treaty, a totally illegal currency with the same name (euro) was surreptitiously introduced into the market, based on the rules introduced by a Regulation, No. 1466/97, which had absolutely no authority to amend the Treaty. You demonstrate how the rules imposed by the Commission starting on 1.1.1999, which have now been applied for sixteen years, are actually the sole cause, excluding all others, of the depression that has been gripping the euro countries that did not have a budget surplus or at least a balanced budget on 1.1.1999. For those countries, Regulation 1466/97 imposed (a) an absolute prohibition against further indebtedness in the annual budget and (b) the obligation of adhering to guidelines which the Commission and the Council would have established for each State as binding rules to be followed in order to achieve a balanced budgetary position in the medium term. If we understand correctly, your theory leads us to believe that without a sufficient volume of unforeseen productive factors, on 1.1.1999 the Member States with a budget deficit were officially condemned to continuous and increasing deterioration, as the facts have indeed demonstrated.

A. This characterisation and the conclusions are correct. Following the verification on 3 May 1998, the names of the States with budget deficits were made known. The States would not have had any possibility to remedy the conditions observed. Therefore, the imposition was applied with retroactive regulations. And this is completely prohibited in any civilised country.

Q. If this is the actual condition of a fair number of countries, with impacts destined to affect the entire Eurozone, for States with a budget deficit, reaching a balance now seems to be even more out of reach, a “Sisyphus challenge”. How can we get out of it?

A. According to an absolutely prudent assessment, if the euro introduced into the markets on 1.1.1999 had been that governed by the Maastricht Treaty on the European Union, the Eurozone States would have had an average growth rate of 2%-2.5%. Applying rules other than those established in the Treaty on the European Union, the parts of which that concern us here were moreover fully confirmed in the two subsequent Treaties, of Amsterdam and Lisbon (the Treaty currently in force), the Union caused the euro countries which had an initial or subsequent balance deficit unfair damages. According to the principles in force in all Member States, the EU is required to provide compensation for this.

Q. If your assumptions are correct, Greece, which is now burdened by debt that, according to reports, it will not be able to honour, would be making a mistake to ask the EU and/or its creditors for a debt reduction or at least an extension.

A. I worked as a lawyer for more than forty years and, I might add, a successful one. This profession taught me that before embarking on a dispute, it is a good idea to determine whose side the law is on.

Q. In the case of Greece, EU bodies keep repeating that they want to help Greece. But, its government must first of all confirm that it will respect the “agreements”. The “agreements” are those entered into with the “Troika”.

A. I do not know the details. However, I feel that it is necessary to recall that Greece made these commitments since, in its condition of economic depression, of which its counterparties were well aware, it would not have been possible to object to the EU’s requests. However, the depression was due not to its own behaviours, but rather due to the unlawful requirement, to which it had been subject since 1.1.1999, to apply not the rules of the Maastricht Treaty, but rather those introduced by Regulation 1466/97.

Q. What is the consequence of this?

A. Greece undoubtedly has a debt that it is required to honour. But, at the same time, it has the right to compensation from the EU for unfair damages that it suffered from being required to comply with rules that are not only illegitimate, but also arbitrary.

Q. In your opinion, would the amount of this compensation be higher or lower than the debt that Greece has taken on?

A. I do not believe that a precise calculation has ever been made. But I have no doubt. The amount of the damages is certainly higher.

Q. So do you believe that the relationship between Greece, a Member State, and the EU may be clarified with arbitration or in court?

A. Frankly, I believe that this issue, which may come up in more or less equivalent terms for other countries as well, is so important that it can be resolved only with an agreement between the parties. Knowing one's rights is important in that arena as well. Negotiations have already begun. They may not be brief. However, there is a "but", which is not insignificant. The EU is not a normal counterparty.

Q. Why do you believe that in this case the EU is not a normal counterparty?

A. Because an unlawful and harmful system has been imposed in the EU for sixteen years. In an agreement, the EU would need to recognise the responsibility of some of its current leaders, including the commissioners, almost all of the previous commissioners and the current or past rulers of the Member States that took part in Council decisions implementing and applying this unlawful act. From that limit, which the EU would encounter during negotiations, there is a detrimental effect for Greece. If it does not enforce its right to compensation, Greece would end up giving the EU a formal certification that its behaviour has been correct and legitimate. This would harm not only Greece and the entire Eurozone, but the EU and all of its countries, particularly those in the Eurozone, because it would introduce an additional obstacle to any attempt to get out of the current situation, which is becoming increasingly unsustainable day after day.

Q. If we have understood correctly, you see a dispute between the EU and Greece as an occasion for clarifying the current state of the EU once and for all.

A. Precisely. The most serious and urgent problem is that of Europe as a whole. The case of Greece will force us to face it. Maybe it can offer us a key to solving it.

Q. We realise that if we begin from your premises, the conversation becomes much more expansive. Even more reason for us to ask you to continue. Now we are curious to see where this conversation will take us.

A. If we want to “reason” and not content ourselves with the expression of simple “opinions”, we need to begin by clarifying the premises. That is where I will begin.

Q. We’re listening.

A. The European Union is a complex entity. It is extremely historically significant. Its crisis cannot be cured by applying a warm compress! The EU shows its years. Its birth dates back to 1950. It is now 2015. 65 years is not a brief period of time. Are we sure that it has always been healthy? That there hasn’t been some ailment that we didn’t catch, the consequences of which we are suffering from years later?

The case history is indispensable to making the diagnosis. Here we are talking not about individuals but about a collective, which by size and importance is one of the greatest key players of past as well as contemporary history. For the case history to be accurate and complete, it must date back to the distant origins of the current conditions of the presumably ill patient.

Thus, although I have dealt with Europe from 1950 onwards in essays dedicated to the various phases that followed one after the other, I now see myself forced to start once again from the beginning.

Q. Have you discovered something?

A. I would say so. And something very interesting. It has always been believed, and even today this continues to be the most widespread opinion, that we Europeans got on a train in 1950, we bought the ticket to arrive at an economic union with 28 States and a monetary union with 17 States, and that with that same train we arrived at our destination, one trip, if we want to draw a comparison, as long as the journey on the Trans-Siberian, of course with many stops in between.

Q. Isn't that what happened?

A. No. Not long after their departure, the Europeans got off the train and took another of a different form and category and started off in a different direction. Having arrived at the second destination, the Europeans got off the train and took another and started off again for a new destination. After a certain number of stops, they realised that the place where they had arrived was completely unknown to them. And it certainly was not where they had intended to go.

Q. This is the first time we've heard such descriptions.

A. I confess that this is true even for me.

Q. When did these changes of direction take place?

A. The first time was in late 1969, almost at the start of 1970. The second was twenty-nine years later, in 1999.

Q. Explain to us how and why all of this happened. Obviously starting with the first leg of the journey.

A. The journey began in 1950. An informal convention had been called in Strasbourg. Cultural elites and politicians were in attendance to seek out solutions to prevent Europe from becoming a theatre of war for the third time. In general, it was believed that a federal-type entity should be formed. Timing and methods were debated. The Italian Spinelli hoped to achieve this immediately. It was the right time. If they let it pass, it may have never come again. But the French Schuman and Monnet were more cautious. They proposed the creation of shared organisations, each responsible for a specific sector. The institutions, which would go on aggregating over time, would end up embracing the entire area of common interests. At that point the circle would be closed and the Federation would be born. This was the idea that prevailed. The ECSC was born first. It was followed in 1957 by Euratom and the EEC (European Economic Community). The EDC (European Defence Community) project was discussed in 1950. Considering the political importance of this topic, the organisational plan was to be completed by adding an elected assembly to the Commission. If the EDC project had been completed, the Federation would have been formed very quickly. But French President De Gaulle declared himself unshakably against it. The federalist principle was blocked for good.

The EEC, which was followed by the Treaty for the merger of the executive bodies of the communities, generated positive effects. Italy benefitted from them. The full implementation of the project required ten years. So in 1967, after a basically smooth trip, the travellers had reached their destination. And they were satisfied.

Just three years later, they instead decided to begin travelling to a new destination, a distant land that had been only roughly identified. They would travel at low speeds. The journey would be long. It was to last until 1999.

Why did they set out on this adventure? This time the impulse was not ideological in nature. Instead it came from the need to free themselves from the pressures of external powers. In attempting to understand how to achieve this goal, a great, unexpected objective was identified. The enterprise seemed fascinating. The final destination was not fully clear. But by now they were on the train. From the window they would witness unknown landscapes. But it was especially the unknown destination that fascinated them.

Q. The factors that drove the second adventurous journey of the Europeans have remained obscured. However, we know that their influence on history, not only European but also current and global history, has been monumental. Few would be able to name them. We are sure that you will enlighten us.

A. The second period, as I have already noted, begins between December 1969 and the start of 1970. The catalysts of this turning point dated back to many years before. You are right to say that they are unknown to almost everyone, even the greatest scholars of European issues. They originated in America. The United States had exited the global conflict as the top political, military, economic and moral power. Its global prestige was absolute. However, partially due to the burden of military spending, the US was carrying a structural budget deficit. The US was able to self-finance by selling dollars, which were added to the currency reserves of central banks all over the world; they were stockpiled by private parties and accepted worldwide due to their high degree of liquidity.

The US had become the primary creator of international liquidity. However, that function was in fact conditioned only by the financial requirements of the American system.

A second analogous function of international significance, different from and unrelated to the first, also originated in the US, around halfway through the 1960s. Having found that interest rates in Europe were often lower than current rates in the US, certain American banks as well as some English and French banks began to issue bonds denominated in dollars in Europe, to offer American clients liquidity under more advantageous conditions. If the US government thought it was necessary to limit economic expansion, American rates went up and imports of Eurodollars from Europe increased. If the policy of the US monetary authority was to stimulate the economy, rates were lowered in the US and Eurodollars were sent back to Europe.

There were originally 21 international commercial banks involved in those transactions. They remained unchanged over time. They became very powerful. Only one is no longer with us, Lehman, since it went bankrupt.

The international commercial banks have an advantage over retail banks for two reasons. They have no branches, so they do not bear the associated operating expenses. And secondly, they are not required to keep reserves to serve as a guarantee.

The system of international commercial banks (international finance!) has huge volumes of liquidity at its disposal. It is capable of carrying out simple, profitable transactions with no significant risk by concentrating large volumes of liquidity on individual currencies and then moving them unexpectedly to another currency.

The four main European currencies (pound, franc, mark and lira) provided the ideal platform for such manoeuvring. The process of implementing the EEC had been completed in 1967, and it already began attracting the attention of the monetary authorities of the member countries.

The principle of fixed parity amongst the currencies was gradually replaced with flexible parity. The severe alterations caused by movements of large volumes of international liquidity from one currency to another created problems for the national central banks. The European States, all with their different interests, found it impossible to defend themselves from these attacks. Moreover, the underlying anomaly still remained, and only grew worse: the decisions of the European central banks were conditioned by decisions made by the Federal Reserve and the US government, caused by factors that the European authorities had no control over and could even be contrary to European interests. The need to enact a suitable shared strategy was becoming urgent. Raymond Barre, the authoritative economist who was Vice President of the EEC Commission at the time (he would also later be the Prime Minister of France from 1976 to 1981), took the initiative. He presented his proposal at the European Council at The Hague in 1969. It was approved.

Q. This has been interesting. But we are unsure what this has to do with Europe. And, to tell the truth, by ourselves we would not be able to provide an answer.

A. The explanation will be given in the answer to another question: “What’s happening?”. The events I have described, which are as distant as possible from the Europeanist ideals, were precisely what influenced the evolution of Europe for twenty-nine years. A longer period than the previous one, which had been dominated by the great Europeanist ideal and which had only taken twenty years. It was the events of the 1960s that provided the impulse for the creation of private international liquidity, which today is dominant in the world.

Q. What was Barre’s proposal?

A. Barre floated the idea of creating a large shared monetary area. The national currencies of the European countries, with their different values, would disappear. The size of the common market that would be created would be sufficient to discourage any speculative intent of financial flows. And that was plausible in the conditions at the time, but later on it was shown to be less than fully accurate, because along with market growth the size of financial flows grew as well, and to an even greater extent. So, on 1 December 1969, Barre presented a proposal to the leaders of the European Council at The Hague to create an economic and monetary union. To implement the project a Commission was formed, which took the name of Luxembourg Prime Minister Werner, who acted as chairman. It would proceed in steps. The countries' economies, which would converge into the great common market that was being created, were different in size and structure. They needed to achieve a sufficient degree of homogeneity to ensure that once they converged into a single market, the stronger or wealthier ones would not prevail over the others. So to implement the plan, the States would need to gradually meet certain requirements. The process would not be simple, or brief. One of the intermediate steps came to be called the "monetary serpent". The step immediately preceding the last step was the European Monetary System (EMS), which came into being on 13 March 1979. Two Treaties would close the circle. The Single European Act (SEA), which came into force on 1 July 1987, and the Maastricht Treaty on the European Union, which came into force on 1 November 1993. On 1 January 1993, the directives (originally 330) containing the rules of the sectors involved in the common market came into force. The deadline for transposing the last of the directives would be the end of June 1993. The Treaty of Maastricht established that the common currency, the euro, would be introduced into the market on 1.1.1999. Before that date, irrevocable fixed exchange rates would be set amongst the Member State currencies.

The TEU specified (Protocol No. 6) the compulsory criteria which, when met by the individual State, would guarantee the required degree of “sufficient convergence”. The verification for the States’ adoption of the single currency would take place on 3 May 1998. Eleven States demonstrated that they had met the sufficient convergence criteria pursuant to Protocol No. 6, and therefore could be admitted to the Eurozone. The twelfth (Spain) would be admitted the following year.

And as established, the euro was introduced into the market on 1.1.1999.

Q. What do you think overall about the evolutionary process which, beginning from Barre’s proposal in 1970, led to the effective establishment of the single market on 1.1.1999, with the planned introduction of the new currency, the euro, on the same date?

A. Let’s begin from a premise. Barre’s original intuition, the executive planning for its actual implementation by the Werner Commission, the development of regulations for subsequent steps, the drafting of the two fundamental Treaties, the Single European Act and Maastricht, the 330 directives needed to apply the SEA and the agreements on exchange rates may have been criticised in terms of individual aspects, but they are one of the most intrepid creative undertakings that has ever taken place in the history of the world. The credit should be shared by all, members of the Commission and those in the governments of the various countries, who worked towards completing the individual steps. Today, evaluating them years later, we cannot but admire them for the balanced perfection and the potential of this great project.

A great “entity” was created, the economic and monetary union, “which was to include a smaller entity”, the Eurozone. The States would be divided into two categories: the members of the EU and the members of the

union that would form the Eurozone. The 11 States that passed the verification on 3 May 1998 would be part of the Eurozone. Spain would be admitted the following year, and admission would subsequently be open to any other state that had become a member of the EU, submitted a request and demonstrated that it met the criteria.

The objective assigned to the EU as a whole was set forth in Art. 2 of the TEU: “sustainable and non-inflationary growth respecting the environment, etc.” The task of promoting growth was assigned to the Member States of the EU. Each would contribute with its own economic policy, which would be extended to all sectors of collective life, including the Eurozone, with the exception of the currency, the areas governed by the 330 directives, the areas constituting the “actions” assigned to the EU and few other areas equally assigned to the EU under the Treaty.

With regard to economic policy, a fundamental responsibility assigned to each of the Member States, Art. 103 of the TEU gave the EU the task of coordination through broad guidelines. If the EU policies were not respected, it could intervene with “recommendations”, non-binding legal acts.

The TEU gave the Member States the necessary means to create growth. They would consist of the autonomous exercise of responsibilities in all areas not associated with currency and the single market regulations, and the capacity to self-finance. Art. 104 c) of the Treaty refers to two “reference values”, 3% for the deficit and 60% for total debt. The States may legally exceed them in the presence of a virtuous trend towards returning to within the limits, or in exceptional and temporary circumstances. In taking advantage of these abilities, the States must proceed with caution. The TEU gives the EU bodies the authority to initiate a penalty procedure if they deem that the limits mentioned above have been unduly exceeded.

Aside from this, the TEU took into account that according to studies conducted by the Commission, the formation of the single market would generate a benefit of 2.5% to 6.5% per year due to the elimination of customs barriers and of around 0.7% per year for the first ten years due to the expansion of the market. These benefits would be proportionately larger for the States with a larger number of bordering countries (of which Germany had nine) and smaller for those with only one bordering country (Portugal and, at the time of its admission, Greece).

Since the single currency was to be managed only on the basis of the abstract regulation laid out by the Treaty, it had to be provided that trade balances with foreign and other European countries, as well as general global economic trends, would carry weight in market valuations.

Q. Until this point, the EU has not appeared.

A. The duties of the EU were to be limited to those contemplated in the Treaty. Only the revenues attributed to the EU under the Treaty would be available to it. These were to consist of external duties and any other equally external revenue (both of a minimal amount), as well as its “own resources”. The expression is misleading. The “resources” that the Treaty qualifies as its “own” are those transferred to the Union by the States.

The EU’s budget must be strictly balanced. As a result, under the Treaty, the EU cannot carry out activities or pursue objectives other than those specifically attributed to it. The expense for each activity cannot exceed the amount established by the States upon approval of the EU budget.

A special procedure is used to calculate each State’s contribution to the EU’s own resources.

Q. We can see from your schematic summary of the regulations that the EU and the Eurozone together form a complex entity. The entity is directed by a collective body, represented by the set of Member States, each of which works towards the objective of growth by adopting and implementing its own economic policy covering all aspects of collective life, with the exception of the areas under the purview of the EU. At the same time, the States determine the quantity of resources to be made available to the EU for each of its duties, and each one pays its own share.

A. Precisely. At this point it is necessary to point out a detail which, as we will see, is of fundamental importance. An essential condition for each State's admission to the EU is that its constitution be founded on the principle of "democracy". Democracy requires citizens to have the right to freedom and the power to influence their governments' general policies and particularly the decisions that directly affect them. That influence is exercised through periodic voting and political parties.

By making the objective of growth and the functions of the EU depend on the economic policies of each and every Member State and the collective decisions of governments regarding the extent of the resources that the EU can use for each of its duties, the European project, started in 1970 and meant to be completed on 1.1.1999, guaranteed that the democratic principle was also respected for the activities specifically carried out by the EU.

Q. So everything is perfect?

A. Nothing in this world is perfect! That is also true for me. What I have said and what I am about to say could contain imprecisions, gaps and even errors. I would be pleased if they were pointed out to me so I could correct them.

Q. But let's return to the errors in the planning and/or implementation of the economic and monetary union.

A. I can name one immediately, which could appear secondary, regarding "behaviour".

Q. We can't imagine what it could be.

A. The error consisted of not having explained to public opinion, to the citizens, to the general public and to those in government who would come to power in the individual States the actual reason for the Barre-Werner plan, that it was actually the result of external factors that were not well known at the time and would remain so even afterwards, that the plan would require sacrifices, that, and why, it would be indispensable for the States to follow the rules and principles that were to be agreed upon, and that only when the entire process was completed, so after many years, there would be a phase of lasting growth, with individual and collective benefits.

Q. Can you name any of the consequences of this lack of information? Were they serious?

A. I will mention just four of them. They have had serious, long-lasting effects, some of which are irreparable.

The origins of the first case were actually positive. The first leg of the Europeans' journey towards coordination and harmonisation was completed in 1970 with the creation of the EEC (European Economic Community). In twenty years of travelling, from 1950 to 1970, everything had gone smoothly. The ECSC laid a solid foundation for lasting peace. Euratom had guaranteed the peaceful use of the extraordinary new energy

source, the atom. The EEC immediately provided strong economic momentum.

However, the secondary, detrimental product of the lack of information was the introduction of a precedent.

Governments and Commissions would feel themselves authorised, even afterwards, to make decisions without specifying either the authority they were exercising or the objective they intended to pursue. Some measures never would have passed if the consequences they would bring had been understood.

There are also the individual cases. The first is Italy. When the process of convergence was starting to enter its final phase, when requirements became stricter and even more necessary and were to be strictly observed, Italy went against the grain. The debt/GDP ratio, which was 58.86% in 1980, fully in line with the reference value of 60% determined by the TEU in 1992, began to grow. It would reach 105.2% by the effective date of the Treaty. 46.34 points in twelve years! Italy would never again be able to free itself from this burden. The regrettable policies leading up to this disaster can be blamed on the PSI [Italian Socialist Party], the party with the most influence on the government in the 1990s. The PSI imagined that it could invert the balance of power with respect to the two parties whose influence had been dominant until that point, the DC [Christian Democracy] and the PCI [Italian Communist Party], by gaining popular consensus with a spending policy that was meant to garner widespread support. The Central Bank did not put a stop to the expansive trend. At the same time, through favours and bribery, they planned to get the productive class behind the party. The plan failed. The GDP growth rate, which was 3.43% in 1980, plummeted to 0.77% in 1992. The next year, it dropped to -0.89%. In 1991, the case of “*mani pulite*”, the “clean hands” investigation, blew up. In 1992, the term “*tangentopoli*”, referring to kickbacks, was coined. In the general confusion, even the fame of our

country's thirty years of extraordinary growth, the "Italian economic miracle", dulled.

The case of France took place in 1991. In certain regards it was similar to the case of Italy, although the underlying motivations were completely different. France's debt/GDP ratio was 31.0% in 1986. The best that could be imagined. In 1991, it was 35.3%, still quite good. The reference value for debt, formalised in 1992 (TEU, Protocol No. 5), was 60%. The government imagined that it could pick up the pace and get ahead of competing countries by exploiting this initial advantage. But this plan failed. In 1997, the debt/GDP ratio was already at 58.5%. It was 96.1% in 2014. 65.1 points higher than where it started.

Q. Are there other cases?

A. Yes, we'll name one. It regards the EU, and it is the most serious. For Europe, it was a veritable death blow.

Q. What was it?

A. The day has come, 1.1.1999. The time has come. The Europeans arrive at the station, with the eleven countries admitted to the Eurozone first in line. They have come to stake their claim to the promised land. Their thoughts run through the vast, bright and rich expanses (harmonious growth, respecting the environment, etc.) that they will admire from the windows. There is serenity and happiness, although a small bit of uncertainty can be glimpsed in some, as always occurs when we leave one phase and move on to another. We know what we are leaving, but we don't know what we will find!

Two impeccably dressed gentlemen approach with a genteel air. One is tall and has a distinguished appearance. The other is shorter, and looks like an intellectual with a lot to do. "The departing Europeans, including the eleven allowed to adopt the euro?" they inquire in a courteous manner. "We recognised you". They indicate where to bring the luggage. They bring the group to the train. It is an old-style convoy. The three steps to the carriage door are high. Some of the Europeans are happy to get some help. The convoy starts up. It is slow. It continues to be slow. Will it always be this way? "Maybe we were given the wrong information?" The doubts pile up. They ask the staff: "Is everything running smoothly?" No explanation, as in 1970. The train continues slowly, but it doesn't stop. By now it's too late to get off. The Europeans are trapped in a cage.

Q. Is this a fairy tale?

A. No, it's the cold hard truth.

Q. Who are the two characters who met the group and helped the weaker ones up the steps?

A. The large distinguished man is Waigel, the German Minister of Finance. The shorter busy one is Ciampi, the Italian Minister of the Treasury.

Q. Professor, you implicitly claimed that we were the ones that caused you to look at the period from 1950 to date, 65 years of history of the European institutions, as a whole. Previously, as you have stated, you had analysed the changes that accumulated over time separately, almost step by step. Did this different approach cause you to change opinions that you expressed in the past?

A. I would say so. And there are some important findings.

Q. Which, for example?

A. Since 1950, the beginning of in-depth discussions that two years later would lead to the creation of ECSC, exactly 65 years have passed. If we look back at the 65 years leading up to 1950, we find that in 1885 the 7th Depretis government was formed. Then there would be Crispi, the defeat at Adwa, Giolitti, the conquest of Libya, the Great War, Fascism, World War II, the transition from the monarchy to the republic and the new constitution. Each of these events corresponded to an effective break with the previous years. In the same way, there were many breaks with the previous years in the years after 1950. In retrospect, the difference I found is that in the sixty-

five years since 1950, there have been much fewer, but much deeper, ruptures.

Q. Therefore, based on what you have just said, you seem to be arguing that, as regards the European institutions, the years after 1950 should be divided into three periods.

A. I would use a stronger expression: three periods that are “profoundly different” one from the other.

Q. Remind us of the duration of each period.

A. The first was from 1950 to 1970: a total of 20 years. The second was from 1970 to 1.1.1999: 29 years. The third was from 1.1.1999 to date: 16 years.

Q. How would you define each of the three periods?

A. The first: the guarantee of peace and cohesion.

The second: an extraordinary creation, never before attempted in the history of the world.

The third: the scrapping of the great creation.

From the first period, peace remains. Cohesion has been severely weakened.

Q. We can see that the dates of the two great “changes” are 1.1.1970 and 1.1.1999. Can you tell us what they consisted of?

A. The steps involved in the period that we called “peace and cohesion” were the ECSC, Euratom and the EEC. We worked with what already

existed. The States remained at the basis of the three new institutions. Their differences diminished. They coordinated their activities in specific sectors, in the ECSC and in Euratom. This coordination became a general principle in the EEC.

Q. What was the main feature of the second period?

A. Two great projects were carried out, one that can be called juridical, and the second consisting of the creation of a completely new body, with characteristics that had never been tested before.

Q. The juridical project?

A. The peaceful creation (without wars or annexations) of a large body, into which the economies of an increasing number of States would converge. From the six original states, there are now 28!

Q. The intrepid project?

A. The majority of the States converging into the new body would use a new currency that would be called the “euro”. The project’s boldness would lay in the fact that its management would not be based on the decisions of a government or the coordinated decisions of a government and its central bank, as occurs for all currencies all over the world, but rather on the application of unchangeable rules.

Q. And the States?

A. The States would voluntarily subject themselves to the “hard work” (this expression is used intentionally) of contributing to the planning of the

great new body. Then they would take on the hard work of implementing the plan.

Q. A large body must necessarily rest on a deep foundation, based on coherent principles. According to the plan, what foundation was the new, boldly created body to rest on?

A. The load-bearing structures were to be the Member States. They would continue to be considered sovereign and as such, they would conserve their status as entities under international law. In reality, they would accept strict limitations on their sovereignty because of the duties that the new body, the EU, would take on.

Q. And what can you tell us about the “foundational” principles of the new body?

A. Bodies, like all organisms, are “living” entities. They have two fundamental characteristics. Their movement, starting from that of the most basic components, is continuous. In the next instant, organisms are necessarily different from what they were the instant before. The second characteristic is that by drawing upon external elements, organisms internally generate the energy that fuels this movement. Juridical organisms are made up of men and rules. The correct name is bio-juridical organisms (OBG). As they are made up of people, OBGs have many of the characteristics of people. Other characteristics, although they are different, correspond to the other characteristics that have the same function in people. In living things, which include the two large classes, the animal world and the plant world, genetic characteristics are transmitted through DNA - a phenomenon discovered in the last century - beginning from the very first generations, from one to the next, until the current and future generations.

Recently, with regard to people, the phenomenon of the connectome has come to light, the horizontal aggregation of the basic components that form the organs, each of which is responsible for a specific function.

For juridical organisms, things are partially and necessarily different. But there are analogies. Juridical organisms are involved in distinct creations. They are born in different times and even according to different procedures. So, it is not possible to trace them back to a common primordial phase. But there are centuries-old organisms. These include those that have been established in the same territory since the very distant past. In this case, the phenomenon can be compared to DNA. “Deep structures” are formed. They are the result of accumulation and continuous aggregation in terms of at least three, distinct aspects: rules, customs and the aspirations of individuals and the general public, with the natural environment constituting a significant part of the external context. This gives rise to amalgamations that are difficult to tease apart, veritable knots. In OBGs, juridical rules have the function of the connectome. OBGs are different from the people that make them up, for two reasons. Both play in their favour. The dimension and structure of people are those of the individual types, transmitted by DNA. The structure of OBGs, including those of the same type, is susceptible to even significant changes. And the differences in dimension are even greater. As long as they have the concrete capacity to aggregate the necessary elements, bio-juridical organisms can take on enormous dimensions, with levels of power and work capacity that are unimaginable for the individual person. How much can be achieved depends for the most part on the adequacy of the model. “Adequacy of the model” is the expression that must be kept in mind to understand what has happened and what may happen for our Europe.

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