



## Open letter to Minister Wolfgang Schäuble

Antonio Padoa-Schioppa

Dear Minister,

Please allow an Italian and European citizen to express to you his concern and even anxiety about what has been happening in recent days.

It was never any secret that Germany and its government was determined to pursue an austerity policy of cutting public spending since this had been made very clear back at the time of the Maastricht Treaty. It is a correct and sound approach which every country should adopt: piling on debt now means leaving future generations with a burden that unfairly penalises them for our own short-term benefit. I believe that today, also by merit of the German government, this message has become clear to everyone. The fiscal compact has reinforced the means for making it operative, and with the government of Mario Monti, even my country seems to have finally understood.

Yet this is not enough. When a recession is underway, a hasty and poorly applied cure can end up killing the patient. Instead of recovering, national budgets further deteriorate because the economy contracts, tax income reduces and bond yields decided by the markets rise to the point of making any recovery impossible: the situation in Greece is a prime example.

*It should have been made clear from the outset – and should be made even clearer now – that no country is going to be left to its own destiny. Saving Greece (obviously under certain conditions) is right and proper and also essential. The future of the Euro, by now the world's second most important currency, would be extremely bleak if a country were expelled. And the damage to the other Member States, including Germany, would be devastating in economic, financial and banking terms. It is totally irresponsible to suggest that the 'Grexit', Greece's departure from the Euro is a viable option.*

*In this moment, Germany has a huge responsibility of historic importance, more than that of any other country in the EU. The situation of the Eurozone is now becoming unmanageable. The economic crisis in other European countries is even proving beneficial to your economy, the strongest in the continent. Your public debt is a third lower than Italy's, but bond yields are incomparably more favourable to you: currently they stand close to zero, while in Italy they are nudging 5%. All this is wrong and is leading us towards a dead-end.*

Rightly or wrongly (I don't want to argue the case here), the German government is bringing about a resurgence in Europe of the anti-German sentiment that we had hoped was buried forever. This would be a terrible outcome. It would be the end of the dream (that had become a reality) of a European Germany which, for sixty years, has replaced the fears of a German Europe. It would be nothing less than the end of the design to unify Europe. If individuals from your country with the background and prestige of Helmut Kohl, Helmut Schmidt, Gerhard Schröder, Joschka Fischer, Jürgen Habermas, Ulrich Beck – just to name some of the most distinguished – have in recent weeks launched messages of alarm, how not to be worried? It is the moment to urgently take new initiatives and to adopt new measures.

*The German government is playing with fire. You must surely realise this.*

We have not forgotten the historic document in November 1994 by which you, Minister Schäuble, together with Karl Lamers, proposed the idea of transforming Europe from a community into a federal Europe. What was then just a noble aspiration has now become the only real alternative to the crisis in the union. The disintegration of the EU would be a disaster comparable to a third world war. The only project that, in the second half of the 20<sup>th</sup> century, has redeemed Europe's image in the world would disappear forever, becoming yet another among the many failed endeavours in the history of the human race. In any case, you know well – all sources agree on this – that a failure of the Euro would simultaneously be hugely detrimental to the German economy.

*As things currently stand, under what terms is your Government ready to protect and support the Euro by means of true fiscal union in Europe, with the backing of the European Parliament? This necessary complement to monetary union was recognised from the outset, and was even proposed by Germany to the other EEC members back in 1992, however without success due to reservations from France. The request should now be repeated to all countries in the Eurozone, starting with France, since the current crisis means that it can no longer be deferred.*

Here is the decisive point. If the condition that Germany places for launching a major plan for sustainable growth throughout Europe, to create a real European fiscal union of resources and taxes and to pool responsibility for the sovereign debt of Eurozone countries – measures that will obviously require indebted countries taking the steps to rebalance their accounts – is *to form a democratic government of the Union, i.e. a joint decision to create a real federal political union, which includes defence and general safety, responsible to the European Parliament and the Council of States of the Union, this should be clearly stated and requested by the German government.* Now, not in some indeterminate future.

Without doubt this will all be very complex, but what matters is to establish and *to agree upon the objective – setting out a fixed timeframe for the various goals along the way.* Even the markets, which are anything but blind, would be appeased by this well before the project reaches its conclusion.

*We strongly believe that if Germany proposes this to Europe, the response can only be affirmative.* The European Parliament, the only body that democratically represents European citizens, will say yes. Italy will say yes. A large number of European governments will say yes. And this time France will agree, refusing to reject a route that is the only one that can lead the Union, and especially the Eurozone, beyond the crisis and towards sustainable development, to the future.