



CENTRO STUDI SUL FEDERALISMO

GREEN DEAL, THE NEW CITIES AND FISCAL FEDERALISM

*Alberto Majocchi **

In the [speech presenting her programme](#) to the European Parliament, President Ursula von der Leyen defined as a central objective of her Commission the control of climate change and a Green Deal to achieve carbon neutrality by 2050, and strengthen the resilience of the European economy along a path of sustainable, carbon-free and socially equitable development. The launch of this policy has been delayed by the spread of the pandemic, but it has nevertheless enabled the launch of the Next Generation EU recovery plan, with the allocation of significant amounts to promote investments, selectively targeting three objectives: environmental transition, a digital revolution and social inclusion.

A large part of the changes to be made with the use of the new European resources, in order to reduce carbon dioxide emissions, involve the management of the cities. First of all, this concerns the energy efficiency of existing building stock, and the development of buildings where only renewable energy sources are used, which will require the sharing of public funds to mobilise private funds. But in the cities the main problems to be solved to reduce the use of fossil fuels are related to mobility. As noted by Lewis Mumford in his *The City in History* (1961), the development of the city in modern times has been conceived according to the use of the private car as a mobility tool. This type of development has generated congestion, the growth of pollution and, ultimately, the deterioration of citizens' quality of life. The use of the car in the city is no longer compatible with the pursuit of carbon neutrality. [In another one of his essays](#), Mumford notes that "If the problem of urban transportation is ever to be solved it will be on the basis of bringing a larger number of institutions and facilities within walking distance of the home." From this apparently simple observation it is necessary to start by fundamentally rethinking the structure of the urban fabric that guarantees mobility, in ways compatible with the progressive elimination of the use of means of transport powered by fossil fuels.

The second observation concerns the enormous development of the structure, with all the higher functions concentrated in the historic centres and with suburbs lacking essential services. For Mumford, on the other hand, the reference model must be represented by a return to the scheme of the medieval city. "The medieval city was composed on the neighborhood principle, with the Church serving as community center and the market place adjacent to it as 'shopping center', both within easy walking distance of all the inhabitants". And he adds: "The creation of a neighborhood involves something on a different pattern than that which has hitherto characterised the undifferentiated big city; for it also demands the orderly provision space and time of a group of neighborhood institutions, such as school, meeting halls, shops, pubs, restaurants, and local theaters".

The restructuring of the city by neighbourhood will require significant investment in the creation of essential services in each neighbourhood, to ensure that most trips can be made in an environmentally friendly way (on foot or by bicycle). Each neighbourhood will need to be equipped with a local school – so that it can be reached without the use of a car, and can also be used as a social and cultural centre during non-teaching hours – as well as the commercial activities that are essential for everyday life. There will also be essential health services, starting with a first aid hospital equipped with the necessary means to guarantee therapeutic treatments and emergency interventions of no particular complexity. Higher-level services will also be distributed between the different neighbourhoods, so as to avoid a one-way flow from the suburbs to the centre.

For travel between different neighbourhoods one must use public transport or, in the evening, an electric car powered by renewable energy. Ad hoc routes will have to be established to allow cars to leave the urban fabric. Large green spaces will have to be created within the neighbourhoods to be used in particular by children for play and by the elderly to move around in a natural environment. Green spaces will separate the neighbourhoods from each other and will also function as carbon sinks. The road structure will have to be revolutionised to ensure separate routes for public transport, bicycles and pedestrians. This urban revolution will be assisted by the extension, as a result of the constraints imposed by the pandemic, of increasingly widespread forms of smart working, which will significantly reduce commuting flows.

The third observation is of an institutional and financial nature. The urban territory, which includes the main centre and the different neighbourhoods, will have to be governed by a city council representing the whole territory and by a co-decision body representing the different neighbourhoods, which in turn will be equipped with self-governing bodies able to take decisions on matters concerning the life of each neighbourhood, with the availability of the necessary financial means. Similarly, at the metropolitan level, the central city and peripheral cities will have to have a similar institutional structure. But, in the new perspective of the urban revolution, the problem of financing remains decisive.

A model of fiscal federalism must be applied from the European level to the neighbourhoods. At the European level, the inter-institutional agreement on the multi-annual budget reached on last 10 November provides for a set of deadlines for the gradual introduction – according to a timetable from 2021 to 2026 – of new own resources. Following the decision of the European Council of 21 July 2020, which gave the Union the possibility to issue bonds for €750 billion guaranteed by the European budget in order to finance the Next Generation EU (and [ECB President Christine Lagarde](#) recently stressed that we should discuss “the possibility of it remaining in the European toolbox so it could be used again if similar circumstances arise”), this is a decisive step towards the recognition of the Union's fiscal capacity.

As far as the investments to be made in the cities are concerned, they can be financed thanks to a reform of the ESM, along the lines suggested in a [Policy Paper published by Centro Studi sul Federalismo](#); but the lower tiers of government will also have to raise resources through autonomous taxes. In this perspective, the experiences of several European countries in the field of local finance should be reconsidered, where a levy on real estate assets and on increases in the value of buildable areas is planned, levies applied on the use of natural resources along with a form of consumption levy that reflects the level of wealth of families.

Ultimately, in order to achieve the ambitious objectives of the Green Deal and the Next Generation EU, it is necessary to simultaneously carry out a reform of the institutions in the federal sense – in order to guarantee an active role of the Union in the relaunch of the European economy and in the transition towards new equilibriums at the global level – but also of the structure of the levy at different levels of government, inspired by the principles of fiscal federalism.

** Professor Emeritus of Public Finance at the University of Pavia and Vice President of the Centro Studi sul Federalismo*

(The opinions expressed here do not necessarily represent the CSF)

