THE VENTOTENE LIGHTHOUSE *A Federalist Journal for World Citizenship*
October 25, 2020 by

The economic crisis of 2008 has demonstrated the naïve simplicity of the view that, if the economic policies of individual economies are geared towards domestic economic stability, and private actors are allowed to operate freely in such an environment, the global economy would work well. On the contrary, the said event has clearly demonstrated, on the one hand, how the markets' self-correcting power suffers numerous limits and, on the other hand, how the search for economic stability requires a joint effort by states, international and supranational organizations like UE as, due to economic and trade globalization, financial crises such as epidemics no longer know borders.

In the Book *Stabilità economica e sostenibilità* (published by Giuffrè-Lefebvre, Milan, 2020,432 pp), the conceptual category of economic stability in its different forms (monetary, fiscal and financial) is reconstructed within the regulatory framework of international economic law. It focuses, in particular, on the relative legal nature of global public good for the supply of which a plurality of public and private subjects and actors (states, international economic organizations, rating agencies, sovereign funds, multinational enterprises, hedge funds) are involved, operating on bases, perspectives and aims that do not always coincide and sometimes are even in potential conflict.

A public good[1] that – because of the properties that characterise it and the positive externalities it is able to produce – is in the common interest of all the subjects of international law and its different actors that make up the international economic community to commit themselves to its pursuit and supply. This, thus, ensures its widespread enjoyment for the benefit of all, while at the same time preventing dangerous opportunistic phenomena of free riding and moral hazard, which are at the root of many of the situations of economic instability occurred in recent decades. This is the position clearly expressed in 1999 by United Nations Development Program with its Human Development Report, in which it was highlighted how 'global public good': it is a particular type of public good which share two fundamental characteristics: non-excludability and non-rivalry, differentiating themselves from purely domestic ones in force of three criteria: *geographic* (their positive effects extend over more than one group of countries), *socio-economic* (the effects concern both "rich" and "poor" countries) and *generationa*l, since they involve the whole Humanity.[2]

But the policies and stabilisation mechanisms adopted both at international and European level to overcome the current serious economic uncertainty and so to restore economic stability have been essentially inspired by a strict conditionality. In other terms, we are in front of solutions that have entailed and still entail significant costs if we consider the social repercussions that those choices have determined. Inevitably (see the Volume *Stabilità…*), many doubts and critical issues have been raised not only about the effective compatibility of those instruments with regard to the protection of economic and social human rights, but also about the limitations they have imposed on States, especially those most in need of economic and financial support in terms of exercising their (economic) sovereignty. This has also raised the question of how to reconcile democratic methods and technocratic solutions, especially when certain choices, that have a decisive impact on the lives of individuals and the various national communities, have been taken – partly because of the urgency of the moment – within *fora* and decision-making centres that lack effective democratic legitimacy.

The burden-sharing which the production of the stability good imposes would require, instead of making recourse to the traditional international method based on multilateral or plurilateral cooperation, to adopt the supranational one, through which the member states of an organization, such as the EU, decide to limit their sovereignty, attributing to the institutions of the organization the power to take binding decisions for all states members. But, the european model represents an *unicum* in the international panorama although there are some legal entities like the International Tribunal for the Law of the Sea (see UN Convention on the Law of the Sea in its part XV), albeit with limitations, defines a system of mandatory jurisdiction, as occurs also in the case of WTO dispute settlement system that seems to go in that direction so as to be considered as "…a body of transition from international law to supranational law, because it obliges countries that are not in agreement to reach a compromise on the basis of a defined process…"[3]

So, at the moment, with the significant exception of EU, the "production" of GPG at global level can essentially take place through cooperative and multilateral strategies above all based on the principle of differential treatment between developed and undeveloped countries, a concept that strongly characterises international economic law and international development law. In fact, as examined in the Book *Stabilità*, it reflects the need to consider not only the different material conditions that characterise the numerous situations involved, through a "gradation" of the obligations incumbent on them or through a better contextualisation of these obligations, but also and it intends to recognise the different level of responsibility of the different countries and economic actors in determining the conditions of economic instability and the direct and consequential damages that can derive from the latter situation for the International Economic Order considered as a whole. A situation that could be partially resolved if there was the will by states to reform the International Monetary Fund or even better to introduce an international agency responsible for the solution of financial crises based on the model of the International Seabed

Authority (ISA) by which it has been introduced a mechanism for the management and control of activities related to the exploitation of mineral resources in the maritime area (outside national jurisdictions) as considered a global public good which protection is in the common interest of humankind.

Succeeding in implementing this aspect and, at the same time, combining economic reasons – especially those related to the balance of public accounts – with social aspects related to the defence of human rights is a very important challenge for States, for the international community and for the entire humanity. The need to go beyond gross domestic product and other economic variables that work around that figure to measure economic growth, development in general and, above all, the well-being of a society, is becoming increasingly necessary without, however, chasing utopian models of happy de-growth. In fact, the use of new indicators and the achievement of new goals and targets as set out in the UN 2030 Agenda for Sustainable Development go in this direction. For these reasons, as carefully analysed in the Book *Stabilità*, the implementation of the *Principle of Sustainable Development* can represent an opportunity for defining a new method that is used to achieve an effective balance between political and economic interests and social interests, in some cases, as noted, opposed to each other.

The said principle expresses not only a new vision in terms of behaviour and method of action, but, above all, it can be the means of reaching a fair compromise at international legal level between the need to ensure a stable economic and financial system and the defence of the economic and social rights of the person, at least of those rights considered essential. This is, as clarified in Book *Stabilità,* a good way for preventing new crises and above all protecting the interests of future generations, as the *Brundtland Report* – which has given impetus to the *Principle of Sustainable Development* – urges us to do.

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[1] A public good is a good that is both non-rivalrous and non-excludable: that is, one's use of a public good does not reduce the availability to others and one cannot effectively prevent the use by others. Consequently, two important features of public goods are that they will not be provided if left solely to the market, and that they tend to be consumed excessively when they are provided at all.

[2] The definition of global public good was then further clarified by the World Bank, with particular regard to issues related to the issue of development for which "global public goods are commodities, resources services and also substantial cross-border externalities that are important for development poverty reduction and can be produced in sufficient supply only trough cooperation and collective action by developed and developing countries" and subsequently in 2006 by the International Task Force on Global Public Goods, set up at the Johannesburg World Summit on Sustainable Development in 2002, for which global public goods are "issues that are boadly conceived as important to the international community that for the most part cannot or will not be adequately addressed by individual countries acting alone and that are defined trough broad international consensus or a legitimate process of decision making".

[3] See Montani, *Supranational political economy*, New York, 2020, p. 26.

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A turning point for Europe and the World

The coronavirus outbreak has shaken Europe and the whole world. It has put a stop to our most important freedoms, changing our way of living and working. Our healthcare systems have been put under severe stress and, most sadly, people have lost their loved ones.

The public health challenge quickly became the most drastic world economic crisis of the last century. Given the uncertainty of the situation, it is hard to provide accurate estimates of the economic slowdown we are facing. Anyway, the calculations of the European Commission suggest that overall the EU economy should shrink by more than 7 per cent in 2020, reaching even 16% in case of a second wave and extended new lockdown measures.

As expected, the European Central Bank (ECB) has been the first one to provide support to the economy. Under the Pandemic Emergency Purchase Programme (PEPP) initiated in March 2020, which is added to the older QE programme still in place, the ECB is due to buy 1.600 billion Euros in public and private sector debt in 2020, equivalent to 14 per cent of the Eurozone last year's GDP. Moreover, the ECB is not buying assets in line with its Capital Key, giving instead more support to the countries hit hardest by the pandemic. The intervention of the ECB aims to provide the necessary liquidity and guarantee a smooth functioning of the financial markets.

Secondly, the European governments stepped in. The EU encouraged national supports by allowing the full flexibility in the budgetary and State aid rules. The European Commission took the decision to suspend the Stability and Growth Pact, based on the provisions included in the Treaties. As a result, the intervention has been of an unprecedented scale. This is surely welcome, since this package of measures provided vital support to workers, businesses and in general to the Member States' economies in the first phase of the emergency.

Yet it is also a cause of concern since it risks to deepen the differences between countries and to provoke an unbalanced recovery. The main problem is that the economic crises has been symmetric in the sense that everyone has been affected, but it has been asymmetric in the magnitude of the resulting economic slowdown. In particular, the economies relying mainly on services, tourism, exports and composed in large part by small businesses have been hit much harder than others. Worryingly, this description fits best with the countries having higher government debt ratios, such as Italy, Spain and France. As a consequence, the fiscal stimulus provided by those relatively less affected by the pandemic (like

Germany) are greater than the ones put in place by the countries facing the most severe economic damage.

In this context, it is absolutely necessary a European response. Acting at European level is the only way to ensure a fair and balanced recovery. The European Commission has proved to be well aware of this, and in May has officially proposed a new Recovery Plan for Europe, including an instrument called Next Generation EU, within a revamped EU budget. First of all, it can be argued that a larger EU budget is needed regardless of the current economic situation. Indeed, a large centralised federal budget is required for a currency union to work properly. In any case, history has shown that often dramatic events are needed to spur a decisive political action.

Next Generation EU

Specifically, the Next Generation EU proposed by the European Commission amounted to €750 billion – €500 billion in grants and €250 billion in loans to Member States. The European Council on July 21st decided to change the amounts to €390 billion in grants and €360 billion in loans, leaving the total to €750 billion. The funds will be borrowed on the financial markets and will be repaid starting from 2028 until 2058 through future EU budgets. In addition to the Next Generation EU, the Commission has proposed a revamped 2021-2017 EU budget, amounting nearly to €1.100 billion, which has been confirmed by the European Council.

The agreement reached by the national governments is a sort of watered-down compromise with respect to the initial proposal of the Commission, due to the unanimous approval required to pass the Plan (the perfect example of fake democracy that needs to be urgently reviewed). Nevertheless, this represents a historic moment for the European integration and its way of addressing common challenges. As a matter of fact, the crucial aspects of the plan have been confirmed by the Council: common European debt and new own resources. Now the hope is that the Member States will propose a set of credible reforms to be implemented with the upcoming funds.

For a detailed description of the actual programs proposed, the reader can refer to the documents released by the European Commission (the documents can be reached at the following links. "Europe's moment: Repair and Prepare for the Next Generation": https://ec.europa.eu/info/sites/info/files/communication-europe-moment-repair-prepare-next-generation.pdf. "The EU budget powering the recovery plan for Europe": https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/1_en_act_part1_v9.pdf). Hereby a few considerations are made about the plan trying to highlight the most relevant aspects, which in fact make the European Union one of the global player most ready to affirm the liberal values and aware of the modern, global challenges we all are facing.

Firstly, it is worth noticing that the Plan includes both short term support and medium to long term investments. Indeed, although supporting workers and businesses is very important, it is not enough to provide a stable economic recovery. The immediate support has been provided mainly via the SURE program (temporary Support to mitigate Unemployment Risks in an Emergency), as well as by the measures taken by the Member States. These kinds of interventions are essentials to protect the livelihood of people in the short run.

But the Next Generation EU also recognises that a proper economic recovery requires new jobs to be created. Indeed, there are only two ways in which the economy can grow: by increasing the number of workers (more precisely, the total amount of time spent at work) and/or by increasing the output per worker (the output per unit of time). The EU acknowledges this by proposing a number of new investments capable of creating new jobs. In particular, it focuses on the European Green Deal and on the Digital Single Market. It is also important to bear in mind that this intention is not new, but it was already included in the program of the previous Commission (the Juncker Commission), resulting from the discussion between the Commission itself and the European Parliament. The pandemic has thus accelerated and made more urgent something already thought by the previous Commission.

It makes sense for the EU to focus mainly on these two topics. The two of them represent a shared interest of the whole European people, so a common coordination at federal level is welcomed. Moreover, such policies look at the present and at the future – and can serve as a guide for the world in two areas where a global response would be preferable. Preserving our planet is a duty we have for the next generation (or we can say even for ourselves, given the most pessimistic climate-change forecasts). And a deeper Digital Single Market is needed for a fairer and easier business environment, now and especially in the coming years.

The tech industry is object of a fierce debate. As of now, it seems hard to state that the tech giants represent a problem, since the users enjoy free and innovative services. But the point is that, first of all, such services are not really free, since users give up their data which are extremely valuable – a lot more than they can imagine. And secondly, the dominance of a few firms in an under regulated environment prevents smaller businesses to grow and compete. In the long term, the lack of competition inevitably results in less innovation, less grow, and more inequality. Thus, the Commission stresses the importance of striking a balance between the free market and the need to prevent the abuse of market power and to ensure a fair market place for potential competitors. The importance of a Data Act is also highlighted, to handle data sharing across Member States and sector.

Another relevant aspect is the need to retrain workers. The pandemic has accelerated a trend that was already in place, in which some sectors of the economy are losing importance at the expense of others. As a consequence, workers need to acquire new skills and to adapt to the new jobs. It is somewhat understandable that this process can create fear, especially among the low skilled workers. But this is precisely how the economies should work. Moving towards more productive industries boosts the economic growth; in turn, this improves the living standard over time. It is up to the politics creating the conditions to minimise the short term costs of this transition. The “Skills Agenda for Europe” (another point of the Recovery Plan) will address this very important topic.

The issue of public debt is also very telling. The common eurosceptic argument among the southern States goes that the European Union is obsessed by the public debt and is against it in any circumstance. If this can be the case for the group of countries that defined themselves as “frugal”, the Commission has instead shown a different approach. As said, the Next Generation EU will be financed on the financial markets, i.e. by public European debt. Here the Commission is making a crucial point. First of all, the deficit spending is useful to help the economies to escape from a recession; this has been immediately clear when the Escape Clause has been triggered. And secondly, the public debt is desirable when it is used to finance long term, structural investments – as the ones proposed in the Next Generation EU. As a matter of fact, the benefits of the plan will be released over the years, so it makes sense to pay for them over time as well. In other words, the payers and the beneficiaries of the investments tend to be the same. On the contrary, the EU opposes the deficit spending for financing current expenditures, since the next generations are left with the burden of more debt but with no benefits at all.

A special consideration has to be done for the implications of the European bonds, whose guarantor will be the EU budget that needs to be expanded accordingly. A first way to do this would be an enlargement of the contributions by the Member States. But this is not a desirable method because basically it would translate in an increase of the national debts. The Commission has therefore proposed a number of new own resources, such as a Carbon Tax based on a Carbon Border Adjustment Mechanism, a new Digital Tax building on the work done by the OECD, and the proceeds from fighting the fiscal dumping and money laundering. Fortunately, such proposals have been accepted by the European Council. It stated that "the Union will over the coming years work towards reforming the own resources system and introduce new own resources". As examples, it cited a carbon border adjustment mechanism, a digital levy and a Financial Transaction Tax (the final document released by the Council can be found here: https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf). This aspect of the plan is truly revolutionary: it marks the beginning of a genuinely fiscal capacity of the European Union, which is added and works in parallel to the one of the Member States. This has been possible by taking advantage of the "implicit" federal powers of the EU, without reforming the Treaties. Some observers are finally referring to this as the European "Hamiltonian moment".

Last but not least, Europe will pursue a model of "open strategic autonomy". By this term, the European Commission means to reduce dependency and strengthen security of supply in areas like pharmaceutical or raw materials. Far from having a self-sufficient spirit in general, the Commission wants instead to create an environment more protected by future shocks in certain key areas. In order to make this clear, the word "open" stands to indicate the commitment to open and fair trade, as well as to international cooperation and common solutions for shared global questions. One of the most misguided concept of the sovranist parties is that international trade and in general international affairs are zero-sum games in which one country can gain only at the expense of another. This is just wrong. Everyone has to gain from fair trade and international cooperation. The Commission is thus pushing for a stronger Europe in the world, capable of leading the global response working closely with the international organisations, as it is actually already doing. The necessity of addressing certain issues at global level is arising, and the EU is in fact stressing the need of a global sovereignty in such key areas.

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European Parliament calls for paradigm shift

Ahead of the presentation of the European Commission's "Chemicals Strategy for Sustainability", announced for October 2020, the European Parliament was called on July 10 for a tightening of chemicals policy and concrete ban on toxic chemicals in a resolution initiated by the Greens/EFA Group. Endocrine disruptors in cosmetics, toys and food packaging and long-lasting fluorochemicals in coatings on drinking cups, pans and clothing have to be banned. The text has been adopted with a large majority of Christian Democrats, Socialists, Liberals, Greens and Leftists, and they called on the European Commission to tighten the European chemicals law REACH. The same standards should apply to new products and products made from recycled materials, so that no dangerous chemicals are kept in the circular economy.

The protection of human health and nature as well as the planetary boundaries are at the core of today's resolution. In the future, all forms of pollution should be prevented or reduced to a level that is no longer harmful to human health and the environment. The upcoming EU's Chemicals Strategy for Sustainability should also take into account resource depletion, energy use in chemical manufacturing, health, social and environmental standards, and human rights along the supply chain.

The European Parliament's resolution shows the way forward for the European chemical industry. The chemical sector should not fare like other key European industries. The best products must continue to be produced in Europe. The ambitious, sustainable chemicals policy demanded by the European Parliament is therefore an opportunity for industry to invest in future-proof and crisis-proof technologies.

Toxic chemicals are suspected of causing cancer, can adversely affect human development, reduce the effects of vaccinations, increase the risk of infection and cholesterol and lead to a reduced birth weight of children. Parliament's resolution comes just a few days after the German Environment Agency warned of more and more chemicals in the blood of children. For every fifth child, long-term damage from exposure to the extremely long-lived group of per- and polyfluorinated alkyl substances ("PFAS") cannot be excluded. The parliament today calls for the use of all 4700 PFAS substances to be banned in all non-essential applications.

As part of the European Green Deal, the European Commission announced in December 2019 its ambition of a "zero pollution ambition for a toxic-free environment". An important element of this ambition will be the "Chemicals Strategy for Sustainability", which is to be presented by the Commission in October 2020.

MEP **Sven Giegold**, financial and economic policy spokesperson of the Greens/EFA group commented:

"We are calling for nothing less than a paradigm shift in the chemical industry. To protect our health and the environment, we have to start the ecological transition the chemical industry. We need a zero tolerance strategy for toxic chemicals in Europe. A strengthening of the European chemicals law is necessary. It must finally also regulate polymers such as plastic. It is unacceptable for environmentally harmful plastic to fall through the grid. The European chemicals law must become more efficient. Instead of laboriously banning one dangerous substance after the next, we should tackle substance groups as a whole. In this

way, we could prevent toxic endocrine disruptors such as Bisphenol-A from being replaced by the almost identical Bisphenol-F or S. The Commission must now present criteria for sustainable chemicals and set concrete targets for reducing energy and resource consumption.

The precautionary principle and the protection of people and the environment must guide the European chemicals strategy. The zero pollution ambition benefits a toxic-free environment and healthy consumers. Sustainable chemical policy not only protects our health. It is also an opportunity for the European chemical industry to invest in future-proof and crisis-proof technologies. Clean chemistry "Made in Europe" makes European industry future-proof. Only a sustainable industry can remain competitive and secure the 1.2 million jobs in the European chemical industry.

Europe has the best chemicals legislation in the world. In practice, however, enforcement is lacking. Member States must finally implement REACH consistently to help the best products penetrate the market "

Link to the text of the resolution (no major amendments have been adopted): https://www.europarl.europa.eu/doceo/document/B-9-2020-0222_EN.pdf