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Dandan Hong, Lorenzo Pecchi and Gustavo Piga

ARE ANTI-FEDERALISM AND REPUBLICANISM THE WAY FORWARD FOR A UNITED STATES OF EUROPE? LESSONS FROM AMERICAN HISTORY

Dandan Hong,¹ Lorenzo Pecchi² and Gustavo Piga^{3 4}

Abstract: Today, the European Union (EU) and in particular its common currency area created in 1998, the Eurozone, is going through an economic crisis that, given its duration, can be defined as structural and enduring and is such as to put the common political project at risk. This article retraces the history of the United States of America with the purpose of studying what lessons and insights for European Union evolution can be learned from the original debate between Federalists and Anti-Federalists and from its repercussions on United States federal development to date. We also deal critically with some conflicting ideas about the organization and future of Europe and present some policy proposals to relaunch the European project based on some of the lessons learned from the history of the United States.

We argue that the intuitions of the Anti-Federalists and Republicans can guide us in defining a path for the future of Europe. Given the ultimately (partially) successful but gradual experience of the United States, we suggest that it is necessary to hand back to the EU member countries, after the repeated failures of the EU Stability and Growth Path and Fiscal Compact, full control of their fiscal policy to build a 'light' fiscal federalism.

Keywords: Anti-Federalism, Republicanism, Solidarity, Civil War, New Deal, Great Society, fiscal federalism, European Union.

Introduction

Today, the European Union (EU) and in particular its common currency area created in 1998, the Eurozone, is going through a crisis that, given its duration, can be defined as structural and enduring. Between 1998 and 2019 per capital income in the Eurozone has grown 10% less than in the USA. Latest European Commission projections also show that by the end of 2022, while the US will have grown since 2019 (the beginning of the pandemic crisis) by 6.9%, the Euro area will only have done so by 2.4%, thereby enlarging the gap between the two richest common currency projects in the world. As a result of this, the young federal European project is currently subject to contrasting political demands. EU supporters favour a trans-nationalization of popular sovereignty and a new configuration, more centralized, of European institutions. Eurosceptics call for a re-nationalization of several EU policy responsibilities. EU critics oppose further upward shifting of national sovereignty to the supranational level because they fear a loss of democratic legitimation.

In the present situation, it is worth retracing the history of that other great Union, the United States of America, with the hope of being able to learn some lessons and gain insight. In particular, we are interested in understanding the process that the United States has gone through to become — to use the words from the Constitution itself — a 'more perfect union', which entails the association of diverse states where equality of rights, individual freedom and public solidarity are instruments for political integration.

In the late eighteenth century, a young federation of states in America, in the face of an economic crisis that threatened the well-being and credibility of the common project, debated how to move forward with a new federal arrangement aimed at generating a more stable and long-lasting political union among the different states. The two main opposing views in this debate would become known as the Federalist and Anti-Federalist movements.

¹ Communication University of China. Email: dandan0802@outlook.com

² University of Rome Tor Vergata. Email: lorenzo.pecchi@uniroma2.it

³ University of Rome Tor Vergata. Email: gustavo.piga@uniroma2.it

⁴ We are grateful for useful comments by participants to the Venice International University Conference 'Republics and Republicanism Theory and Practice: Heritage/ Present and Future Perspectives', Venice 3–5 May 2019. We are also grateful to the editors for many comments which have substantially improved the paper.

Our overview of American history starts from the debate about the adoption of the Constitution, between the Federalists and Anti-Federalists (Section I). The latter opposed an excessive transfer of sovereignty to the Federal State, while the former aimed at a greater centralization of political power.⁵ The main objection to the union raised by the Anti-Federalists was that a limited group of representatives of a large and dispersed nation would not be able to reflect the interest of particular communities.⁶ They argued that a republic must be small in order to contribute to the formation of the democratic character of citizens and to have homogenous interests and a commitment to the common good.⁷ For these reasons they strongly opposed the centralization of power.

In Section II we ask how this debate subsequently evolved after the ratification of the Constitution and the modalities in which it still shaped the evolution of American political history. The highlights for the construction of the American democratic polity will be shown to be the Civil War and the policies that followed it, above all the work of Franklin Delano Roosevelt during the Great Depression and Lyndon Johnson's action with the Great Society. The rise of the neoliberal hegemony of the 1980s and 1990s to a large extent stopped and reversed such policies.

In Section III we ask what lessons and insights for the European Union's evolution can be learned from the original debate between Federalists and Anti-Federalists and from its repercussions in the United States federal development to date. In this section we will also deal critically with some conflicting ideas about the organization and future of Europe, with reference to the works of Miller, Habermas, and Bellamy.⁸

In the last section, which concludes our work, we present some policy proposals to relaunch the European project based on some of the lessons learned from the history of the United States.

I

The Anti-Federalists and the Constitution

The Republican Tradition

The American Enlightenment was influenced by John Locke's ideas on liberty, but the political discourse of the American revolutionaries reflected primarily the language of the English 'country party' whose philosophy was heavily based on the classical republicanism of Roman heritage. This philosophy celebrated the ideals of duty and virtuous citizenship and contrasted those ideals to the corruption, greed and luxury which represented the vices of the empire.

⁵ See C.M. Duncan, 'Men of Different Faith: The Anti-Federalist Ideal in Early American Political Thought', *Polity*, 26 (3) (1994), pp. 387–415, p. 395.

⁶ As 'Brutus' (the pen-name of a prominent New York, Anti-Federalist pamphleteer) pointed out, 'the representatives ought to be intimately acquainted with wants, understand the interests of the several orders in the society, and feel a proper sense and becoming zeal to promote their prosperity', in 'Brutus', essay from the *New York Journal*, 15 November 1787, in *The Complete Anti-Federalist*, ed. H.J. Storing (Chicago, 1981), II, p. 380.

⁷ Various Anti-Federalists criticized the proposed constitution in that it undermined the democracy of individual states' constitutions. See James Lincoln, address to the South Carolina Ratifying Convention, 18 January 1788, in *The Debates in the Several State Conventions of the Adoption of the Federal Constitution*, ed. J. Elliot (Washington, 2nd edn., 1836), IV, p. 313. Also see Patrick Henry, address to the Virginia Ratifying Convention, 5 June 1788, in *The Debates in the Several State Conventions*, III, p. 50.

⁸ D. Miller, 'Republicanism, National Identity and Europe', in *Republicanism and Political Theory*, ed. C. Laborde and J. Maynor (Oxford, 2008), pp. 133–58. J. Habermas, 'The Crisis of the European Union in the Light of a Constitutionalization of International Law', *The European Journal of International Law*, 23 (2) (2012), pp. 335–48. R. Bellamy, 'A European Republic of Foreign States: Sovereignty, Republicanism and the European Union', *European Journal of Political Theory*, 16 (2) (2017), pp. 188–209.

Republicanism in the Colonial period was based on two principles. Firstly, the republican territory must not be too large, so that the rulers and the people could interact and understand each other. Only in this way could government officials be controlled and republican morality be observed and maintained. The closer power is to the people, the more reliable, transparent and accountable it is. Secondly, the government should limit its action in the private sphere as much as possible. Government's function was to use its power to prevent and combat the use of force in society. If the Government enlarges its power beyond this function, it in itself becomes the greatest tyrant of all. Since government has the monopoly of force, its potential for harm is enormous. The people must thus keep the government small and supervise its work. For the eighteenth-century founding fathers 'republicanism represented more than a particular form of government. It was a way of life, a core ideology, an uncompromising commitment to liberty, and a total rejection of aristocracy' .⁹ As Christopher Duncan has written, 'republicanism, with its emphasis on the priority of the community and local forms of public association and participation was the primary language of American political discourse throughout the early life of the country' .¹⁰ However, the concept of republic was to be strongly contested in the debate between Anti-Federalists and Federalists during the ratification of the Constitution. Each faction claimed to be the 'real' republican, but in truth each of them gave the concept of republic a different meaning.¹¹ The Anti-Federalists tried to keep the fruits of their experiences of the Colonial period and victory in the American Revolution: namely individual freedom and the preservation of local state's rights, which also 'carried on the traditions of being very suspicious of any central government' .¹²

Anti-Federalism and Republicanism

After the American Revolution, the Confederation faced internal and external pressures which included an economic depression, a debt crisis and economic trade issues. Under the Articles of Confederation, the Congress was the only form of central government, but it soon became clear that it was not able to handle these problems. This inefficient and ineffective governance led to a worsening of the economic crisis and finally to a political turmoil which resulted in Shays' Rebellion. Behind this rebellion there lay the economic conflict between the indebted rural classes of New England that pushed for the emission of paper money, and the merchants who refused to extend the credit lines to them and asked to be paid in hard currency. The inability of the Federal Government to finance the troops to stop these rebellions and the need to resort to private finance highlighted the need to reform the Articles of Confederation and to build a stronger central government.

Shays' Rebellion became the trigger event for the Constitutional Convention that drew up the Constitution of the United States. The 1787 Convention, which saw the participation of fifty-five representatives, from all states except Rhode Island, was called in Philadelphia to amend the Articles of Confederation. Due to the

⁹ R.A. Divine, T.H. Breen *et al.*, *The American Story* (New York, 3rd edn., 2007), I, p. 147. The authors go on to say 'the revolutionary experience had called into question the legitimacy of older forms of aristocratic privilege that had held monarchical society together' . At the same time the authors suggest how even among republicans, especially aristocrats, there was a fear that 'popularly elected representatives lacked what men of property defined as real civic virtue and ability to work for the common good rather than their private interests', *ibid.*, p. 148.

¹⁰ Duncan, 'Men of Different Faith', p. 392. Duncan is part of a well-established scholarship on American republicanism: see B. Bailyn, *The Ideological Origins of the American Revolution* (Cambridge MA, 1967); Gordon S. Wood, *The Creation of the American Republic, 1776– 1787* (Chapel Hill, 1969); J.G.A. Pocock, *The Machiavellian Moment* (Princeton, 1975).

¹¹ See T. Ball, 'A Republic — If You Can Keep It', in *Conceptual Change and the Constitution*, ed. T. Ball and J.G.A. Pocock (Kansas, 1988), pp. 137–64.

¹² A.R. Amar, 'Anti-Federalists, *The Federalist Papers*, and the Big Argument for Union', *Harvard Journal of Law & Public Policy*, 16 (1) (1993), pp. 111– 18, p. 112.

efforts of James Madison and others, the convention became a Constitution convention. Those who supported the proposed Constitution to build a more powerful central government were called Federalists and those who opposed them and desired to retain power in the state and local governments, Anti-Federalists. The Federalists, led by Alexander Hamilton, John Jay and James Madison, anonymously published a series of essays known as the Federalist Papers under the pseudonym 'Publius'. Unlike the Federalists, the Anti-Federalists were not a homogenous group, but were united in opposing the proposed Constitution, while still favoring the light federation that the Articles had permitted. During the ratification debate, opposition papers were published under pseudonyms, such as 'Brutus', 'Cato', 'Centinel' and 'Federal Farmer', whilst famous revolutionary figures such as Patrick Henry came out publicly against the Constitution. These articles would be collected as Anti-Federalists Papers only in the mid-twentieth century.

The political thought of Anti-Federalists was based on their understanding of the functioning of the small republic and their attachment to the 'Country' tradition which had consolidated during the period of the Colonies. On the other hand, as Duncan writes:

in the Federalist hierarchy, the community is replaced by the nation through an act of reason and will. The problem, however, with such a shift is that it is ultimately atheoretical or impossible within the context of republicanism because of the latter's emphasis both on extensive citizen participation in the construction and care of the public sphere and on the shared values and mores that enable such an endeavor in the first place.¹³

Although no single political claim was endorsed by all Anti-Federalists, they rejected the idea of a community governed by mere interests and believed that the American polity should be a moral community, as were the various republics that had appeared in history. But the Federal arrangement upon which the government would be built would clearly affect the possibility of such a moral community.

Federalists versus Anti-Federalists

Both Federalists and Anti-Federalists agreed that the only possible form of government for their country was a federal one. But their emphasis on the relative power of central versus local was vastly different. The Anti-Federalists wanted to restrict the power of the national government and maintain the independence of the states, while the Federalists wanted a stronger national government and the ratification of a constitution that could properly manage the debt and security of the Union. The Anti-Federalist view of a federal republican system was as follows: 'a Federal Republic is formed by two or more single or consolidated republics, uniting together by a perpetual confederacy, and without ceasing to be distinct states or sovereigns; they form together a federal republic or an empire of states'.¹⁴ They emphasized that an extensive country must adopt a federal form where each republic has full authority within its internal affairs, while the union must deal with external and some common affairs. However, the Anti-Federalists had to admit that for the United States a structure more complex than a simple assembly of sovereigns was necessary. The reality in the United States had forced them to shift their view in favour of a complex republican regime, emphasizing decentralization and checks and balances. To the extent that a complex government was inevitable, they thought that together with the

¹³ Duncan, 'Men of Different Faith', p. 397.

¹⁴ 'A [Pennsylvania] Farmer', 'The Fallacies of the Freeman', 23 April 1788, *The Complete Anti-Federalist*, III, p. 181.

division of functions (legislative, judiciary and executive), it was important to balance the power of the various social orders of society in the House of Representatives.

Both Federalists and Anti-Federalists agreed that the aim of the republic was to safeguard the public interest and the principle of limited government, although they reached this view from different theoretical bases. The Anti-Federalists believed that pursuing public interest required a certain homogeneity of interests and individual sacrifices, accordingly they emphasized the morality of citizens, following the principles of republicanism inherent in the precepts of the colonial period. The Federalists believed that only a strong national government could guarantee the public interest. They believed that the American people lacked the virtue which Montesquieu thought was the principle of republican government. They felt that it was very unreliable to use virtue as its cornerstone. They thought that it was still possible to establish a republican government even if society lacked virtue, had no equality of wealth, and some of its members had a luxurious life.

By contrast, the Anti-Federalists advocated the explicit pursuit of the common good and public happiness. They emphasized the priority of the community and the importance of local forms of association and participation. Consequently, they wanted to build a confederal republic formed of small republics in which the rights of sovereignty were divided and dispersed among the various states and local political communities. The main reason for the Anti-Federalists' opposition to the new Constitution was that it would have constructed a centralized government that represented a threat to the individual liberty and sovereignty of the individual state. During the Constitutional Convention and the ratification of the new Constitution, the Anti-Federalists expressed several objections and concerns. The inherently aristocratic character of any government would have increased with the new political settlement designed by the new Constitution. In particular, the Senate was seen as the source of future ills with its indirect election. Its potentially aristocratic character and excess of power was seen as a threat to the republic. The number of representatives in the lower chamber was considered insufficient, providing only a shadow representation of the people. They also did not hide their reservations regarding the power of the federal government to regulate commerce, impose taxes and establish a standing national army, a power which, in their view should have been reserved to the individual states.

But their major concern was that the Constitution did not make sufficient provision for the cultivation of civic virtue to form good citizens. During the Constitution Convention, George Mason and Elbridge Gerry argued that people's participation in politics, especially regular participation in parliamentary elections and government officials' elections, was extremely necessary.¹⁵ Mason advocated that the House of Representatives should be elected by the people, and the members should not only come from the various states, but that the various sectors of society should be represented, emphasizing that the interests of the lower classes were not sacrificed.¹⁶ Although Gerry did not like the direct election of representatives for fear that people could be easily misled after the Shay's Rebellion experience, he believed in 'annual elections as the only defense of the people against tyranny'.¹⁷ Simply focusing on decentralization and the rule of law was far from enough. In the Anti-Federalist view, if citizens were left out of political participation for a long time, even elected members and government officials may abuse their powers because they would not feel the pressure of citizens.

¹⁵ See *The Records of the Federal Convention of 1787*, ed. M. Ferrand (New Haven, 1911), I, pp. 48–9, 56–7, 214–15, 359.

¹⁶ George Mason, address to the Federal Convention, 31 May 1787 and 7 August 1787, in *The Records*, ed. Farrand, I, p. 57 and II, p. 203, respectively.

¹⁷ Elbridge Gerry, address to the Federal Convention, 12 June 1787, in *The Records*, ed. Farrand, I, pp. 214–15.

We believe that the issues that emerged in this old debate between Federalists and Anti-Federalists are relevant for today's debate concerning the development and future of the European Union. The Anti-Federalists feared that the Federalists' model presented in the new Constitution would, if adopted in a hurry, lead from a 'well-digested' form of democratic government to an 'aristocratic government' far from the interests of the citizens. They believed that most, if not all, members of a political community should aim at reaching a common set of values, norms and ideas which, in turn, determine a common good. They also believed that this model could not be realized in a large republic but only in a small one.

The challenges and contrapositions facing the EU today, a few years after the birth of its common currency, are in many ways similar to the ones facing the United States at the end the eighteenth century. Debates regarding the optimal level of centralization of power and fiscal policy across states, particularly during times of crisis, the distance of political representatives from the local communities, the lack of homogeneous values across individual countries, the resistance to a European army, are heatedly discussed today in Europe and divide constituencies of the member states internally and across them. Some differences are, however, worth highlighting. The current EU divide does not involve—as did that in the USA in the eighteenth century—important republican arguments related to morality and civic virtue. This does not imply that a strong debate on values is absent from the current European landscape but rather that the emphasis here is along the lines of fiscal prudence and responsibility vs. fiscal prodigality and solidarity, something which, as we will see in the next section, also erupted in nineteenth-century America, nor was it detached from the consequences of the Federalist vs. Anti-Federalist debate.

II

The Construction of a Federal Political Community

The Jeffersonian Moment

The Anti-Federalists failed to read the developments and the transformations that were taking place in the American economic and industrial system. This prevented them from formulating practical proposals to oppose those of the Federalists. The latter had constructed a complex institutional framework with the division of power among the various branches, the division of Congress into bodies and the indirect election of the Senate. As James Madison pointed out, this complex scheme served more to annul the opposing interests present in society than to represent them.¹⁸ Their hope was that the system would choose the men best suited to government action to achieve the common good. Thus, the elitist vision of the Federalists prevailed over that of the Anti-Federalists which emphasized participatory practices.

The Federalists gradually replaced the traditional civic virtue with loyalty and attachment to the nation. Duncan, analyzing Madison's argument, claimed that 'he transformed the context of political life from the local to the national level', leaving the republican citizen 'neither involved in any significant way with the construction of the public sphere nor located in a community with specific enough borders to have any but the most general values and mores . . . here the best that could be achieved was "solidarity", while the worse was indifference'. Interestingly, he goes on:

¹⁸ See M. Sandel, *Democracy's Discontent* (Cambridge MA, 1996), p. 130.

the Anti-Federalist theorist understands that fraternity, a higher order good than solidarity (because the latter is implicit in the former, whereas the latter does not imply the former), is the product of familiarity and closeness in both a physical sense . . . as well as in a conditional sense (i.e., a rough equality of condition, or as a shared way and standard of life).¹⁹

The Anti-Federalists' ideals were anything but vanquished. Their echoes were destined to remain in American political discourse and to influence the course of American history.

After ratification, the public political debate focused mainly on economic issues and the organization of the Federal State. During George Washington's presidency, Hamilton, as first secretary of the Treasury, made a series of proposals clearly aimed at building a nation and an integrated national market. These policies were immediately and fiercely contested by Thomas Jefferson, serving as Secretary of State under the same Washington presidency, who was committed to a states-focused federalism. His plan for the future of America differed radically from that of Hamilton.

Behind this battle there were two opposing constituencies of American society. On the one hand, Hamilton, who defended the claims of industrialists, merchants, traders, and bankers, all of whom demanded a central and strong government capable of raising capital to finance economic development, building infrastructures and creating a national market. On the other hand, Jefferson, who championed the interests of the planters and rural farmers.²⁰ The latter thought that the independent yeoman and the agrarian lifestyle were the foundations of republican virtues, while factory life led to moral corruption: 'dependence begets subservience and venality . . .',²¹ 'let us never wish to see our citizenship occupied [on] a work-bench or twirling a distaff'.²² The Republican-Democrats under Jefferson pursued a strong policy of limited government favoring decentralized power, distrusting financiers, cities and the commercial society which allegedly would enrich the powerful at the expense of the common man. The political view known as 'Jeffersonian democracy' found its greatest moment with Andrew Jackson's rise to power. He revitalized Jefferson's republican ideals with a moral tone by espousing the doctrine that a limited government would be the best antidote to corruption. He was the champion of farmers, mechanics and laborers against the Whigs, the party of business, banking and industry.

It is worth noting that in this era those who were arguing for limited government were the Democrats led by Jackson, while the Whigs, the party that most represented businessmen and merchants, favored government intervention to promote economic development. The sides were the reverse of our age where commonly it is the Democrats who are asking for greater public intervention for re-distributive policies. However, this did not mean that Democrats, who cared most for the fate of workers and small people, were not sensitive to problems of inequality. They argued that the issue was not to use government policies to achieve equality, but to prevent the rich and powerful from using the government to become richer and more powerful. The Democrats

¹⁹ Duncan, 'Men of Different Faith', p. 397.

²⁰ Charles A. Beard claimed that the Constitution had been formulated by interest groups in the book *An Economic Interpretation of the Constitution* (New York, 1913), which was later criticized by some scholars. Then a neo-Beardian, Jackson Turner Main, defended Beard's view in his *The Antifederalists Critics of the Constitution, 1781–1788* (North Carolina, 1961), which 'provided a state-by-state analysis of the Constitution's opponents according to geographic divisions and their economic conditions. On one side, Main found that the urban and coastal areas, which were inhabited by merchants and allied groups, together with farmers within the field of their mercantile pull, were usually Federalist. On the other side, remote rural areas, which were occupied by subsistence farmers, were generally Antifederalist'. Source: J.E. Viator, 'Give Me That Old-Time Historiography: Charles Beard and the Study of the Constitution, Part II', *Loyola Law Review*, 43 (3) (1997), pp. 311–420, p. 383.

²¹ T. Jefferson, 'Notes on Virginia II, Correspondence 1782–1786', in *The Works of Thomas Jefferson*, ed. P.L. Ford (New York, 1904), IV, p. 85.

²² *Ibid.*, p. 86.

opposed an excess of inequality not so much for justice itself but because they saw in the impoverishment of the working classes and the enrichment of some as a threat to the formation of the democratic character of citizens and the pursuit of self-government.

The Civil War

The Civil War changed many things the effects of which reach to the present day. First of all, it changed the Constitution, second it opened conflicts and highlighted the deep divisions existing within the nation. Three landmark changes were: (1) the 13th amendment that ended slavery forever; (2) the 14th amendment that made all persons born in the US, including former slaves, citizens; and (3) the 15th amendment that granted African American men the right to vote. These amendments constituted a profound change in the federal-states relationship, and they redefined the notion of American citizenship. The foundations were laid for the creation of a true nation-state. The first attempt to re-compose American society was made with Lincoln's Reconstruction plan. This attempted to solve the problems related to the readmission of the eleven states that had seceded, and to implement a reintegration policy in favour of the African Americans who had suffered the injustice of the slavery system. But Lincoln and Vice President Andrew Johnson wanted to conciliate, to bring the southern states back into the Union as soon as possible, while the Radical Republicans pressed to extend the rights of African Americans. During the Reconstruction Era the Southern states, for the first time, were faced with the problem of providing public services on a large scale. They established public policies and programs covering a wide range of issues, including health, education and the care of orphans and widows. However, the former Confederate states were very careful to establish and maintain separate institutions for African Americans, which as one might expect meant worse facilities for the former slaves. Even when the governments of the South 'were allegedly "radical" there was always a sizable component of native white Southerners in government — indeed a majority in several of the states — who were as opposed to equal treatment of the race as any Confederate had been'.²³ Even if some of these results were questionable, for the first time the states established universal public education, attended to children's problems, set up agencies for the improvement of health and provided relief for the poor. The foundation of the future welfare state was laid down. Nonetheless, the Reconstruction brought violent opposition from white Southerners. White supremacist organizations, such as the KKK, committed terrorist acts against African Americans and white employers, teachers and politicians who were assisting former slaves. The last of the major Reconstruction statutes was the Civil Rights Act of 1875 which guaranteed African Americans equal treatment in public transport and public accommodation and jury service. But in March 1883 the Supreme Court nullified the 1875 Civil Rights Act. It was a devastating blow to the rights of African Americans and the end of the Reconstruction era. The ruling would remain in force until the Court disavowed it with the introduction of the Civil Rights Act of 1964, nearly one hundred years after the Civil War ended.

Croly's Republican Democracy and the New Deal

Some decades later, an intellectual, leader of the progressive movement, would reinterpret and adapt republican ideals to a world characterized by large-scale organizations, industrialization and wage labour. We

²³ See J.H. Franklin, 'Public Welfare in the South during the Reconstruction Era, 1865–80', *Social Service Review*, 44 (4) (1970), pp. 379–92, p. 390.

are referring to Herbert Croly, founding editor of *New Republic* and author of *The Promise of American Life* (1909) and *Progressive Democracy* (1914), known as the messiah of Theodore Roosevelt's new nationalism and Franklin Roosevelt's New Deal. Croly believed that 'Jeffersonian democracy' with its individualism and laissez-faire was ill-suited for twentieth-century America and articulated a new understanding of democratic values, national community, and genuine democracy.²⁴ Croly saw a close connection between democracy and social justice. The former cannot be fully exercised if the latter does not exist. Only a just society can create the sense of community and fraternity that a republican democracy requires. In the Jeffersonian agrarian model, made up of many small yeomen, justice was assured through an equitable distribution of land (material equality), while a strong and intrusive executive power was perceived as a potential threat to the stability of society. Croly points out that this doctrine is no longer sustainable in an industrial and capitalist world characterized by strong inequalities of income and wealth. He reverses the republican doctrine of limited government. The State can no longer be confined to mere negative action to defend individual rights, but on the contrary, it must put into practice policies of 'constructive discrimination'. To achieve the ideal of a republican democracy, it is necessary to have a strong national government that creates the conditions needed to guarantee each citizen a minimum of economic power and responsibility. Croly explicitly states that he wants to reach Jeffersonian goals with Hamiltonian methods. His legacy would be adopted by the American welfare-state architects: Franklin D. Roosevelt and Lyndon Johnson in particular. More generally, we note that the connection between concepts like social justice (here, solidarity), centralization and common ideals — still present, as in the century before — shape the trilemma that haunts Europe today, as we discuss in the next section.

In the twentieth century the degree of centralization of government in the US Federation radically changed. The share of public spending, taxes and debt issued by the States compared to that of Federal Government is a good indicator. The Federal share remained low until the Roosevelt Administration. Federal spending in 1932 amounted to only 30% of the total US public spending, and the power and autonomy of the states and local authorities was still strong. What did FDR choose to do in the face of the economic crisis?²⁵ We focus here on a governance revolution that allowed fiscal expansion from the center, increasing domestic demand, and so fighting unemployment, then at its worst. This was done initially without removing the decision-making power of States and local authorities, by using the lever of transfers to them that maintained their autonomy and discretion on the allocation of expenditure. A few years later, thanks to this strategic generosity, no state objected to giving up more spending power to the center so that the shape of US public spending changed: from 1932 to 1936 transfers from the center dominated, from 1936 to 1940 the expenditure was made directly from the center. What this amounted to in political terms was the birth of a federal fiscal union, based on public spending from the center and transfers from the richest states to the poorest states through a single budget. In 1940 the United States was a completely different union and much more like today's: total federal spending as a proportion of total public expenditure had risen from 30% to 46%. In addition, a process of incredibly rapid convergence across US states of per-capita incomes started and lasted until the early 1970s, when it stabilized.²⁶

²⁴ See K.C. O'Leary, 'Herbert Croly & Progressive Democracy', *Polity*, 26 (4) (1994), pp. 533–52.

²⁵ See the account in S. Kantor, P.V. Fishback and J.J. Wallis, 'Did the New Deal Solidify the 1932 Democratic Realignment?', *Explorations of Economic History*, 50 (4) (2013), pp. 463–634.

²⁶ See 'Convergence in the European Union: Inside and Outside the Euro' (27–28 April 2018). Contribution by Daniel Gros, Director of CEPS, Informal meeting of Economic and Financial Affairs Ministers, Sofia. Retrieved from <https://www.ceps.eu/ceps-publications/convergence-european-union-inside-and-outside-euro/>

From the moment his presidency began, Lyndon Johnson was committed to continuing Roosevelt's work. Civil rights and health insurance for the elderly and the poor were his priorities. In his first State of the Union Address Johnson declared 'unconditional war on poverty'. In the early 1960s poverty was still a trenchant feature of American society. In tackling this problem, Johnson's advisors rejected an approach based on simply syphoning money to the poor through a minimum income or massive Federal job program for the unemployed. Instead, they focused on creating opportunities by making education and training programs available to poor people and ensuring that they had easy access to health care and food programs.²⁷ The Administration intended to fix the causes, not just the symptoms, of poverty. Johnson's presidency implemented a series of exceptional desegregation policy measures to overcome racial discrimination, from health care and education to voting rights and urban renewal. In 1965 Johnson established Medicare and Medicaid. The results were astonishing. By the end of the 1960s, Zeitz reminds us,²⁸ the number of blacks attending majority-white schools in the South rose from 2.3% in 1965 to 23.4%. The Great Society also achieved significant results in reducing poverty when cash income is factored together with other non-cash items, including Medicaid, food stamps and housing subsidies.

The New Deal and the Great Society can be interpreted as the self-preserving action of a community trying to prevent and counter the shocks generated by the deployment of market forces, i.e., opening of international trade, technological innovations, financial crisis and economic downturns and the recognition of the necessity of civic solidarity as an instrument for joint political will formation. In other words, it can be interpreted as an attempt to materialize Croly's ideal of republican democracy.

Since the early 1980s both conservative and progressive governments have attacked and undermined Johnson's Great Society and have pushed for unfettered markets. In the last forty years, as a consequence of an ill-governed globalization, the influence of neoliberal doctrines founded on individualism, as well as other exogenous factors such as the effects of new technologies, we have observed a progressive dismantling of the welfare state: an increasing erosion of labor-market protection, stagnant workers' wages, fewer and fewer people benefiting from pensions and health care, and an increase in inequality to levels not seen since the 1920s, all of which undermines the solidarity and mutuality which is the basis of a functioning democracy. Moreover, it creates a new aristocracy that wants to keep their privileges and transfer them to their children. This results in a sense of cynicism and loss of shared identity. Mainstream political parties have failed to govern these social dynamics. The result has been a divided society and populist backlash. This is largely the story not only of the US but of many European, Asian, and Latin American countries.²⁹

While European nations today have reached a degree of social welfare that is like if not better than that of the United States, some differences, especially in terms of fiscal policy, are still startling. What was achieved in the early 1930s in the USA — the quick and permanent transfer of so much fiscal power from individual states to the central government — appears to the EU today a strikingly implausible exercise of economic policy. Currently the European Union — which is struggling economically as the USA did in the 1930s — has been unable to implement what FDR did in the USA. Why has obtaining the trust of the individual member

²⁷ For a fresh look at the period of the Great Society see J. Zeitz, *Building the Great Society: Inside Lyndon Johnson's White House* (New York, 2018).

²⁸ *Ibid.*

²⁹ D. Rodrik, 'Populism and the Economics of Globalization', *Journal of International Business Policy*, 1 (1) (2018), pp. 12–33.

states, to devise greater and massive transfers and aid from the center, proved too difficult to devise?³⁰ To answer this question, it might be useful to see what lessons we can draw for Europe of the evolution of the federal structure of fiscal policy in the USA's experience over the past two centuries.

III

Are Anti-Federalism and Republicanism the Way Forward for the United States of Europe?

David Miller has analyzed part of this question, concluding rather pessimistically that

large conglomerates such as the EU are unsuited to republican politics not just because of their size, and the physical gap that separates the central institutions from most citizens, but because they are divided in such a way that citizens' primary loyalties are inevitably directed toward their compatriots, as many empirical studies have shown . . . If we are looking for promising new sites for republican politics in the twenty-first century, we would do better to look again at the cities and the regions, where political dialogue between elected representatives and ordinary citizens is based on a real sense of common identity and common concerns.³¹

We take the issues of size and loyalty in turn, even though we might argue that they are interdependent and should perhaps be treated simultaneously.

Size

Indeed, the size of the European Union is an issue from a republican and Anti-Federalist perspective, as we have seen. EU critics argue that the gradual transfer of sovereignty from states to the Union weakens the ability of the citizens of each state to control political decisions. Bellamy³² reminds us that 'problems are exacerbated by the way the very size of the EU decreases both the representativeness of the European Parliament (EP) and the capacity and willingness of citizens to become informed about complex matters on which they can make little impact'. From the other side, the defenders of the EU argue that it is only through a transnational entity like the EU that we can manage and better control those issues that have a global nature.

This debate is reminiscent of the one between Anti-Federalists and Federalists. The Anti-Federalists in their defense of state sovereignty insisted on the need for the republic to be small, as only this can guarantee citizens' effective participation in public life and cultivate civic virtue.

The dilemma of small republics was highlighted by Montesquieu.³³ Republics must be small to cultivate civic virtue, but if they are small, they cannot guarantee the safety of their citizens. Conversely, if they are large, they lose their civic virtues and are subject to internal corruption. The small Italian city-states were wiped out or lost their liberty because of domination by the great and powerful French and Habsburg monarchies. The response to the republic's dilemma suggested by Montesquieu is to form a large

³⁰ Recent developments with the National Plan for Recovery and Resilience in the EU following the Covid crisis are discussed in the next section.

³¹ Miller, 'Republicanism, National Identity', p. 155.

³² Bellamy, 'A European Republic', p. 199.

³³ Charles de Montesquieu, *Consideration on the Causes of the Greatness of the Romans and their Decline*, trans. D. Lowenthal (Indianapolis/Cambridge, 1999).

confederation of small republics, a 'federal republic',³⁴ in which the right to sovereignty remained dispersed among the various states while limited functions such as foreign policy and trade policy are transferred to the central government.

Indeed, Miller himself recognizes that Montesquieu's suggestion could be a third viable solution, for additional reasons also:

A federal republic might be more stable than a unitary one, even leaving external threats out of the picture, because the confederation could help to preserve republican institutions in each of the sub-units. If some powerful individual threatened to take over one of the cities or small states inside the confederation, this would alarm other members and encourage them to send forces to resist the would-be autocrat. Equally, if a state appeared liable to collapse through internal corruption, then other members of the confederation would have an incentive to support it.³⁵

This third type of solution seems to be part of the current debate in the European Union, at least regarding the issue of internal and external threats. It also formed part of the American debate. Indeed, the current debate on an EU common defense sees the latter as one of the main public goods to be provided in a centralized way. An optimal European model might welcome, if only to protect the smaller member states within the EU, a joint defense united in patrolling borders and ensuring protection from external threats, in particular after the crumbling of the Soviet Union.

What would also seem natural in a federal scheme such as that suggested by Montesquieu,³⁶ is a common EU Authority able to fight corruption in each single nation state, to ensure effectiveness of policies at the local level and mitigate the risk of the rise of factions.

Montesquieu³⁷ also mentioned that 'democracy has to avoid two excesses, [one³⁸ is the] spirit of extreme equality, which leads to the despotism of one alone, as the despotism of one alone ends by conquest'.³⁹ The safeguarding of a republic arguably requires a constitutional division of powers that balances popular sovereignty against other institutions formed on a more selective basis. This nevertheless remains a double-edged sword for a federal republic: for example, a European Constitution might, while it enforces equal fundamental rights across states, also deny benign autonomies desired by the local people, especially in economic policy. Anti-Federalists were very aware of this when they worried about the possibility of state citizens being taxed by the central government and not being protected by the Constitution. As Storing argued:

If the constitution will provide . . . no remedy for the people or the states, the people must bear them (the taxes), or have recourse, not to any constitutional checks or remedies, but to that resistance which is the last resort, and founded in self-defense.⁴⁰ The best of the Federalists understood the validity of this point . . . they saw that the Constitution placed the weight of

³⁴ Also see Charles de Montesquieu, *The Spirit of the Laws*, ed. Anne M. Cohler, Basia Carolyn Miller and Harold Samuel Stone (London, 1989), pp. 131–2.

³⁵ Miller, 'Republicanism, National Identity', p. 135.

³⁶ Montesquieu, *The Spirit of the Laws*, pp. 124–33.

³⁷ *Ibid.*, p. 113.

³⁸ The other excess being the one of the spirits of inequality which leads democracy to aristocracy.

³⁹ This would occur through a usurpation by the people of functions of power: 'jealous of the magistrates they become jealous of the magistracy; enemies of those who govern, they soon become enemies of the constitution', Montesquieu, *The Spirit of the Laws*, p. 115.

⁴⁰ 'The Federal Farmer', 'Observations . . .', 4 January 1788, *The Complete Anti-Federalist*, II, p. 280.

legality on the side of the federal government. The ultimate check is, indeed, the revolutionary one, made more significant, however, by the support and coherence that the state government will lend the populace in case of such an ultimate resort.⁴¹

The fact that Europe is now dealing with an increasing popular support for parties dubbed ‘populist’, might well be the symptom of ‘insufficient democracy’ and excessive domination from the center that has been a key ingredient of these past years in the European Union; another risk for a federal republic, possibly as relevant as that of putting a brake on autocrats.

So far, however, we have shown that size does not preclude a federal republic of Europe if certain precautions are taken.

Homogeneity and Loyalty

The second issue that would make the European Union a possibly unlikely model of republicanism is the latter’s supposed need for homogeneity, with loyalty to one’s nation as an essential part of it. As stated above, Anti-Federalists were in favour of small and homogeneous states. To analyze the optimality of a federal republic made of local homogeneous sub-units, as we are doing, does not mean disregarding the Anti-Federalist view but rather, as Storing puts it, of ‘revealing and helping to minimize the (large republic’s) disadvantages. Cognizance of the advantages of the small republic may be helpful in avoiding the worst disadvantages of a large one’.⁴²

First of all, it is important to identify which homogeneity is the critical one for a republic. Here we do not necessarily intend to raise the issue of inequality and social divisions. As Miller points out:

we can extract a principle common to all republicans from this discussion: social divisions within the political community are harmful to republican values in so far as they give rise to factions, allegiance to which displaces allegiance to the political community as a whole. Successful republics need not be homogenous — they can accommodate conflicts both of interest and of personal value — so long as these differences do not consolidate into rival factions.⁴³

We perceive one current and dramatic threat to the concept of a European federal republic: the increased divisiveness within each country and across them, over the acceptance of a common currency, the Euro. Not surprisingly, it is one of the few occasions on which newspapers use the term ‘faction’ instead of ‘party’ to characterize positions that are clearly focused on ensuring the end of the federal project and a return to the preeminence of the nation states.⁴⁴ The success of a federal European republic must thus necessarily be based on the marginalization of such factions. The classic republican would point out that when they become powerful, due to reasons that it is important to identify and come to terms with, they require full attention.

⁴¹ H.J. Storing, ‘What the Anti-Federalists Were For’, *The Complete Anti-Federalist*, I, p. 69.

⁴² *Ibid.*, p. 16.

⁴³ Miller, ‘Republicanism, National Identity’, p. 139.

⁴⁴ See for example: C. Hebel and G.P. Schmitz, ‘Right-Wing Populists Forge EU Alliance’, 13 November 2013. Retrieved from <https://www.spiegel.de/international/europe/wilders-and-le-pen-plan-right-wing-populist-faction-in-eu-parliament-a-933340.html>.

Even divisiveness short of factionalism remains a relevant issue for a project of European republicanism. Proper functioning of the republic there should exist among citizens a marked sense of fraternity, belonging and sharing of some fundamental ideas/projects to pursue the common good. A small state finds it easier to create such homogeneity and therefore brotherhood. For the third alternative that Montesquieu had in mind, and even for that federal republic with limited central government that the Anti-Federalists had in mind, it is definitely harder.

Even though the United States of America had agreed to become Federalist in the early 1800s and was definitely less centralized and left many more powers than it does today to the local entities, it still faced an uphill struggle coming to terms with the reality of diversity; a fact that the Anti-Federalists had possibly better sense, as shown in Sections I and II above.

Clearly, the United States of America conducted a long and painful journey to become what they are today. The US began life divided into states with different cultures and different conceptions of living together. They decided to be federated around a constitution because the former Confederate government had proved unable to resolve many internal and external issues. But a political community is more than a constitution. Its members must not only be faithful to the constitution, but they must also recognize that as participants in a common political enterprise they have special duties to each other.

Our current understanding is that a community made of heterogeneous individual states does not necessarily evolve into a mature and functioning federation — whether of the kind dreamt of by the Anti-Federalists or the one that followed in reality at the US Convention — simply by an imposition from the top — even if supported by a Constitution. The break-up of Yugoslavia and Brexit are key examples where even strong geographical vicinity, trade ties and constant interaction over time, with legal Constitutions binding communities, might not suffice.

What is common to the post-Civil War United States, Canada, Switzerland and India, beside geographical vicinity across communities, for them to be considered, as Miller argues, successful unions of citizens? To follow his reasoning, while with (different languages, creeds, histories), the citizens of these countries share ‘nested national identities — they identify, typically, not only with the nation as a whole, but also with one of its sub-units, which may also be characterized as a nation’, so that they can over time ‘give rise to a shared identity such as would make republican citizenship possible’, in the presence of a cultural convergence.

Nevertheless, Miller, somewhat contradictorily with the above, argues that the nation is the core subject for a republic:

I conclude, therefore, that the argument for nationality as the basis for citizenship remains robust. If republican citizenship, which in the contemporary world must take the form of democratic citizenship, is to succeed, the political community needs to have the cement that a common national identity provides.⁴⁵

But how does the (successful) evolution of those nested states that have finally converged towards a nation and acquired an identity which they did not initially possess fit in with this reasoning? It doesn't. Something else is at work. Geographical vicinity is a necessary but not sufficient condition for a successful federation; a federation among nations with proximity must also begin at least with a ‘common project’. Therefore, the key issue is: what makes a federal project more fragile or stronger as it evolves? Interestingly both recent writers

⁴⁵ Miller, ‘Republicanism, National Identity’, p. 147.

such as Taleb⁴⁶ and older ones like de Tocqueville seem to agree with the Anti-Federalists that unions of small and local governments with a bottom-up approach work best.

Republicanism is thus in some way the precondition for federations to succeed. The secession of the United Kingdom and the current difficult situation of a very (rapidly) centralized model of the European Union decision-making process seems to say a great deal about this. So maybe the issue is not so much whether one can imagine a federal republic of Europe emerging but whether anything else can credibly resist the pressure of time when it comes to a common project among different states.

So far, we have argued that homogeneity and/ or loyalty to a constituent nation does not prevent the emergence of a republican united Europe of diverse nations if a common project of a credible nature is present. In what follows we ask what makes a federation project credible.

Solidarity

It is evident that centralization in the United States picked up only in the aftermath of the great crisis of the 1930s thanks to the policies of the New Deal, a new project, one might say, engineered by Franklin Delano Roosevelt and the Democratic Party.

It is also, however, relevant that the implicit solidarity of the New Deal policies and the language used by FDR in his various speeches (whether with his fireside chats on radio or other public addresses to the Nation) played a role that may be seen as in part coherent with the one of assuring a new spirit of civic virtue and enhancing the quality of participation of its citizens.

The New Deal and its greater degree of centralization was successful because of an implicit bargain based on a new social contract of solidarity and virtue in exchange for such greater centralization.

What does this teach us for Europe's prospects of achieving a large federal union based on republican principles? Europe is seeing the consensus on the evolution towards a federal project become more fragile. Understanding, in the light of the US experience, which solutions work best and which badly to sustain a project, may prove important in gaining the precious time needed for convergence.

Several authors, in different ways,⁴⁷ criticize the solution of strengthening a federal project through a so-called 'constitutional patriotism', with the enacting of a European Constitution, in the hope that there exists a European public sphere capable of producing a sufficient degree of integration.

Jürgen Habermas, the most notable proponent of this position, is aware that once a constitutional project goes beyond national borders, the solidarity of the citizens must also go beyond the national borders:

So far, European unification has been a process carried out by the European elites over the heads of the populations. It worked as long as everyone was earning something. At this point, to move from a project only tolerated to a project actively supported by national populations, it is necessary to involve the solidarity of the citizens beyond their borders.⁴⁸

This is what happened in the United States of America. The creation of solidarity in favour of the states and their citizens mediated by the Federal State took place through a long process that saw the most salient moments in the period immediately following the Civil War, but above all thanks to the work of Franklin

⁴⁶ See N.N. Taleb, *Antifragile: Things That Gain from Disorder* (London, 2018).

⁴⁷ Bellamy, 'A European Republic' or Miller, 'Republicanism, National Identity' .

⁴⁸ See J. Habermas, *Nella Spirale Tecnocratica: un'arringa per la solidarietà europea* (Roma-Bari, 2014).

Delano Roosevelt during the Great Depression and Lyndon Johnson's action with the Great Society. Solidarity has been shown to generate feelings that go well beyond mutuality, possibly generating patriotism and fraternity.⁴⁹

By contrast, although we can admit the existence of a sense of European belonging and shared history among the European peoples, we cannot say that we have today a Europe of solidarity or an ethical Europe, as was the case in the US states for many decades after the Constitution was approved. If there ever had been a dream of a Federal Europe ready for solidarity, things started to change when the first steps of the monetary union were taken in Maastricht in 1992. The idea that the weaker (debtor) countries had to be assisted by the stronger (creditor) ones was abandoned in favour of an automatic adjustment model based on fixed rules preaching austerity in times of crisis, the opposite to what was done during the New Deal.⁵⁰ This emerged clearly in the Greek debt crisis where we witnessed a relationship of domination by the creditor countries towards the debtor country. This experience has taught many that a Europe managed only through intergovernmental relations has ended up being regulated by domination of the strongest over the weakest.

The crisis of 2007–8 has only confirmed this evidence and possibly accentuated this trend. The not-easily amended Fiscal Compact introduced in 2011–12, which requires governments to follow tight fiscal rules through binding domestic legislation, is the most obvious example of the automatic adjustment model imposed by creditor countries on debtor countries. In an economic crisis very similar to the one experienced in the early 1930s by the Union of States led by President Roosevelt, the Fiscal Compact has left EU member countries, especially the ones most in need because the most affected by the negative economic cycle, very limited space for 'New Deal policies'—counter-cyclical demand stabilization — infusing a sense of helplessness and frustration as they could no longer determine or control the forces governing their economies and their lives.

However, on the other hand, the recent dramatic crisis induced by the ferocity of the Covid-19 pandemic seems at first sight to have changed the attitude both of single countries and the EU. In contrast to previous crises, the economic policy response in each country this time has been quick and unprecedented in size. These measures have avoided huge layoffs although, substantial as they may be, they are unlikely to avoid permanent damage to the economic system. The EU also announced a recovery package containing a reinforced long-term EU budget for 2021–7 coupled with the so-called NextGeneration EU, a recovery plan adopted to stimulate the European Union's economy resilience and potential for growth in the face of the pandemic crisis. This will allow the European Commission to borrow up to €750 billion on the financial markets using its strong credit rating.⁵¹ The real question mark remains as to whether this will lead to the permanent abandonment of the Fiscal Compact, and therefore to a revision of the fiscal rules, or if the will of those countries that want to restore the pre-Covid rules will prevail. It is still too early to say whether this crisis will mark an important step towards a Europe with more solidarity.

True enough, state budgets in the USA today have quasi-similar balanced budget rules as Europe has today for its member states, but there a centrally coordinated support mechanism exists at the Federal level, with the budget deficit expansions available in difficult times, as engineered initially by Roosevelt. As pointed out by Henning and Kessler,

⁴⁹ See for example B. Caprettini and H.J. Voth, 'New Deal, New Patriots: How 1930s Government Spending Boosted Patriotism During WWII', *Quarterly Journal of Economics* (2022), <https://doi.org/10.1093/qje/qjac028>. The authors show how those who benefited from social spending were markedly more patriotic during the Second World War.

⁵⁰ See G. Underhill, 'A Past of Plural Identity: The US as Coats of Many Policy Colors', in *Quo Vadis? Identity, Policy and the Future of the European Union*, ed. T. Beck and G. Underhill (London, 2017), pp. 11–20.

⁵¹ In reality less than €500 billion were requested by Member States.

despite the leakiness of these provisions, state and local budgets have behaved pro-cyclically during recessions in the United States. Since the 1930s, the federal budget has helped to stabilize the national economy in countercyclical fashion. Without this, state-level restrictions would have been difficult or impossible to sustain. Although automatic stabilizers might play a greater role in some of the national economies in Europe than in the US states, we believe that creating stringent state-level debt-brakes in Europe without a capacity for countercyclical stabilization would be a serious mistake.⁵²

But it is also likely that the absence of at least one counter-cyclical, budget-based mechanism, either at the supranational or national (state) level, is the result of the combined lack of solidarity and presence of domination by the stronger party. A clear trilemma thus emerges in Europe and more generally, which we alluded to earlier: you cannot simultaneously have lack of solidarity, non-domination and a common project. One must choose two among the three. If you have lack of solidarity and a common project, you have domination and thus lack of republicanism. If you have lack of solidarity and non-domination, you can't have a common project, but a likely secession and break-up towards a series of local state republics. If you have non-domination and a common project, you have the premises for solidarity. This could happen through, for example, a counter-cyclical fiscal expansion mechanism to save employment and cure the recession, what a euro republican would thus need to welcome.⁵³ To work towards a common project without domination one must have solidarity mechanisms embedded and, as long as those are missing, the common project is at risk because of the secessionary impulses generated by domination. This is one key lesson from the evolution of the US Federal system. So, paradoxically, it is possible that while we move towards solidarity, we must slow down the common project to make sure it is allowed to survive in the long run.

The economic stagnation of Europe that was caused by austerity policies and a lack of solidarity led to a generalized resentment and skepticism towards the EU and its institutions. The refugee crisis of 2015 and the flows of immigration have brought additional social and political distress, creating tensions and conflicts among the member states on the distribution of migrants and populist backlashes within countries. The aversion to issuing Eurobonds, the resistance to the creation of a European bank deposit insurance fund to complete the Banking Union, the mutual mistrust and reluctance to cooperate in the management of migration flows, are all examples of the absence of European solidarity.

If we look at the variability of per capita income across the 'old' EU15 states, we see that the convergence process stopped at the beginning of the 2000s. At the outset of the 2007–8 crisis, the convergence indicators declined sharply due to the strong increase of divergence between the northern and southern countries, showing Europe's inability to cope with the adverse shocks that hit the area. Interestingly, the same indicator for the United States in the same period remains relatively flat, mainly due to the inter-states transfer capacity of the Federal government.⁵⁴

In addition, the indicator of 'relative median at-risk-of-poverty gap' in the EU-27 has been increasing steadily since the crisis.⁵⁵ The lack of interstate solidarity and the member states' inability to react with

⁵² C.R. Henning and M. Kessler, 'Fiscal Federalism: US History for Architects of Europe's Fiscal Union', *Bruegel Essay and Lecture Series* (Bruegel, 2012), pp. 5–40.

⁵³ However, one might, contingently, agree, or even advise a common purpose or end. In all these cases the conclusion should be that you cannot guarantee the possibility of all three, but you can't rule out either the contingent possibility or an overlapping consensus across Member States. We are grateful to a referee for this point.

⁵⁴ See D. Gros, *Convergence in the European Union: Inside and Outside the Euro* (London, 2018).

⁵⁵ See Eurostat, Fig. 10.5, 'Relative median at-risk-of-poverty gap, EU, 2010–2020' indicator. Retrieved from <https://ec.europa.eu/eurostat/documents/3217494/14665254/KS-09-22-019-EN-N.pdf/2edccd6a-c90d-e2ed-ccda->

counter-cyclical policies have exacerbated economic anxiety and distributional struggles in an impoverished population by generating the basis for popular protests and anti-European sentiments.

The historical experience of the United States suggests that the creation of a federal state with capacity to effect cross-regional fiscal redistribution is the result of a very long process that cannot be contemplated within a short-medium term horizon for the European project. The 2008 and 2011 crises could have been a great opportunity, as was the crisis of the 1930s for the United States, to exercise that solidarity and create a model of Union of equals with similar duties and civic virtues that would have made the United States of Europe more credible and likely.

Now that opportunity has gone, we should resist solutions which call for greater and immediate centralization, like the one that French President Macron aspires to when he mentions a common framework for fiscal policy, with the creation of a European finance minister and a European budget. Not only would the Anti-Federalists and republicans alike have objected to it, but it must be emphasized that such a move would have made the entire construction of a European federation more fragile and potentially disastrous.

The hypotheses that envisage the immediate creation of a Political Union as a solution to the European crisis must therefore be discarded, since the conditions are lacking for Europe to be a fully-fledged political community. This is true both for Habermas' version, which wants to extend the constitutional community with its solidarist principles beyond the borders of individual states, based on an alleged 'constitutional patriotism', and for the Macron federal project, presented in the speech at the Sorbonne, which wants to set up the Political Union without mechanisms to establish a large centralized budget with automatic transfers, such as in the US.

Nevertheless, we believe that proposals like that of Bellamy, of republican spirit which envisage Europe as essentially an association of non-dominant states,⁵⁶ are currently illusory, in that they do not sufficiently deal with the existing balance of power among European countries. We agree with Habermas that the construction of Europe, as for the United States, must be accomplished through a solidarity that goes beyond national borders. But unlike Habermas, we believe that the conditions for having a European demos are not yet mature and its construction will be a lengthy and gradual process.

Conclusion: A European Federal Nation

In opposition to Miller, who thinks that large conglomerates such as the EU are not suited to republican policies because citizens' solidarity and loyalty are mainly directed at their compatriots, we believe that through a pragmatic and gradual approach it is possible to build a 'Federal Europe' not dominated by power relations and regulated by democratic institutions.

The intuitions of the Anti-Federalists can guide us in defining a path for the future of Europe. They were strongly convinced that the exercise of democracy with its civic virtues should be deployed mainly in the small Republic, while the transfer of sovereignty to the federal government should be limited to areas where a central authority has a clear comparative advantage in offering certain public goods with respect to local authorities. It is a paradox that they have gone down in history under the name of Anti-Federalists.

The European polity is today much more than a mere association of states for the creation of a common market and a common currency, but something less than a full-fledge political community. In this perspective, European citizens must recognize two things. Firstly, that an important set of rights, social protection and civic

7e3419c7c271?t=1654253664613.Sustainable development in the European Union Monitoring report on progress towards the SDGs in an EU context — 2022.

⁵⁶ Bellamy, 'A European Republic'.

solidarity (necessary for political-will formation and the legitimacy of public power), currently find expression and are realized only at the level of the nation-state. Secondly, only through cooperation and association between states in the Union, can important public goods be produced and distributed which are of vital importance to the life, resilience, and future of the member countries.

In light of the successful but gradual experience of the United States, the first necessary step to be taken is to give back to the EU member countries full control of their fiscal policy, after the repeated failures of the Stability and Growth Path and the Fiscal Compact which were wanted, determined and imposed by the strong countries of Europe. The introduction of such a 'light' fiscal federalism would have a few indisputable advantages.

First, it would give countries the opportunity to experiment with alternative economic policies to get out of the prolonged state of economic stagnation into which they have fallen, the same state that has created disillusion towards Europe and sovereign pressures to secede. In order for fiscal federalism to be accepted by all, each country should be responsible for its own debt as established by the 'no-bailout' clause, which means that countries that are unable to repay their debts will have to either renegotiate with their creditors or default on their debt. This is what happened in the middle of the nineteenth century in the USA:

the rejection of debt assumption established a no bailout norm on the part of the federal government. The norm is neither a 'clause' in the US Constitution nor a provision of federal law. Nevertheless, whereas no bailout request had been denied by the federal government prior to 1840, no such request has been granted since . . . The fiscal sovereignty of states, the other side of the no-bailout coin, was thereby established.⁵⁷

Second, it would have an important political significance as countries would regain democratic control of their fiscal policy since the budgets are set by national parliaments. In this way the goodness and credibility of a given economic policy would be subject to the impartial judgment of the international financial markets and not imposed by damaging automatisms. Citizens would feel that they had regained control of their own destiny and fully exercised their democratic prerogatives, allowing the prevention of inevitable relations of domination by the creditor countries over debtor countries, as we have seen in recent years, especially among members of the Eurozone.

Third, still in a federalist logic, we must highlight that there are public goods that no country could offer with the same effectiveness and validity except by means of coordinated and common European action. We refer to areas such as security, foreign policy and defense, anticorruption, and immigration management. There is growing awareness among European governments of the need to be prepared and ready to defend themselves in the new geopolitical scenarios characterized by a fragmentation of powers. It is not and it will not be an easy task to implement a common foreign policy, defense, anticorruption, and immigration policy, but if Europe fails in these tasks, we must ask ourselves if it is worthwhile continuing with the European project.

We do not yet have a European demos and polity. If ever we could reach it, it will only be possible for future generations. Nevertheless, we believe that solidarity between states and the overcoming of national interests must start from the sharing of those public goods whose advantages are more self-evident to everyone. It is through the success of these policies that we can lay the foundations for the construction of a federal republic called the United States of Europe.

⁵⁷ Henning and Kessler, 'Fiscal Federalism', p. 7.

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