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United States of Europe:
How a common fiscal system could create a new federal union

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Abstract:

The thesis argues that the European Union is able to create a common fiscal system following some features of the US model. Its creation could be a useful solution to face the will of the states to come back to an ancient idea of sovereignty that wants to reduce the cooperation between the European states. Furthermore, I will suggest that a common fiscal system could empower the European Parliament, reducing the influence of the intergovernmental logic behind the European Council decision making process. This could be the first step in order to reform the Lisbon Treaty, changing the way the European governance is made and creating a European federal union.

Keywords: United States of Europe; common fiscal system, tax, interdependence, governance

Introduction

The aim of the thesis is to demonstrate that the EU has the right features to become a federal union. By comparing the EU’s organizational structure with the US and Switzerland ones, I will try to point out similarities and differences between federal systems ruled by a Constitution based on separation of powers. Moreover, I would like to suggest that becoming a federal state, the EU could improve its international power, its soft power, its economy and its citizens’ well-being as well. In order to demonstrate it, I will compare the US fiscal system and the way by its budget is made with the current European one. Moreover, I will analyze the role of the public debt and the interstate mobility in the US in order to comprehend if the EU has ready had the right tools to become a federal union. During the whole thesis I will try to find the evidence of how creating a common fiscal system is one of the most important steps to start the “federal union building” process.

The thesis consists of four chapters. The first one will describe the reason why the EU could be compared with the US and the Swiss models. I will do it starting to the differences between federal state and federal union and then I will expose why the US, the Swiss and the EU could be considered compound democracies. The second chapter will be focused on the US distribution of fiscal resources in order to understand which benefits the EU could have by adopting a federal system model. I will start explaining why a fiscal system involves the participation of the citizens to the check and balances process and then I will analyze which features of the US system could improve the EU harmonized one. In the third chapter the focus will be on the budget. I will compare the way by the US one is made with the EU one. Then I will speak about the interstate mobility as an issue that the EU could resolve following the US model. Furthermore, I will analyze the different way by the US and the EU have ruled their policy on the public debt. The last chapter will show what kind of institutional system could be necessary in order to make a common fiscal system possible and sustainable for European citizens. The analysis will start from the tools the EU could
export from the US model and then I expose why the EU needs a common fiscal system to change its governance.
Chapter 1
The Federal System Model

The first step to understand the European need to have a common fiscal system depends on the understanding of what kind of state the EU could become. This is the reason why in the first part of this chapter I will be focused on what a “compound democracy” is. In the second part I will compare the US and the Swiss model with the European one and in the last part I will underline some reasons why creating the United States of Europe through a common fiscal system could be possible.

1.1 Compound democracy

According to Fabbrini, (Fabbrini, 2008) the EU, the US and Switzerland are categorised “compound democracy”. So, what is the difference between the US or Switzerland which are federal unions and the EU that it is not yet? In order to understand their differences, it is necessary to start explaining which common features they have.

Following Fabbrini (2007, 5):

The compound model is proper of polities that have the features of both an interstate (confederal, intergovernmental) and a suprastate (federal, supranational) organization. A compound polity is a union of states and their citizens. At the founding moment, states are the basic units of the polity, in the sense that citizens belong to the union because they belong to one of its constituent units. Through such union, the states agree to pool their sovereignty within a larger integrated suprastate or supranational framework. They do so because such unions, to use the formidable expression elaborated by Hendrickson (2003), are primarily peace pacts.

These political systems do not have a single government. Thus, they are made by the aggregation of splitted institutions. Each institution is elected in a different way and the policy-making process does not work without the cooperation of all the different institutions.

Regarding cleavages, social divisions are between states more than between interests or identity communities. Walking this way, the compound democracy model becomes different from the traditional democratic ones but at the same time it absorbs them. It is possible because having a policy making process made by separated institutions, being focused on traditional logic such as
the competitive or the consensual one\(^1\) could be useful in order to understand what happens inside each institution. Anyway, it is useless to understand the whole policy making process.

Once pointed out which kind of democracy I am talking about, I will expose the differences between federals model. I need to do it because different models are made by different cleavages and they create different consequences on the people’s lifestyle and on the policy-making processes. According to Fabbrini (2008), I will call "federal union" the political system that is made from the aggregation of different and independent states. This one is the only kind of federalism that is useful to compare with the EU because of its policy making and election processes. The other way to build a federation depends on splitting a single, original, large state in a significant number of small, federated states that are ruled by fusion of powers at the horizontal level. According to Fabbrini (Fabbrini, 2008), I will call it “federal state”.

The US and Switzerland are parts of federal union models. Instead, states such as Belgium and Germany are federal state examples. This difference, that could look like a small one, has lots of consequences on the way in which people feel themselves as citizens and overall on the way by the political institutions will be build.

I will try to explain this difference mentioning Brosio’s thesis\(^2\) who underlined that the US need a constitutional amendment in 1913 to give federal government the opportunity to impose direct taxes. Before that, the federal govern could only impose indirect taxes: the only one that could became a problem for the domestic trade if each states could be free to decide how to design them itself.

I mentioned Brosio in order to underline the difference between a state that is the outcome of an aggregation of independent state and a federal union. In the second chapter I will explain why cutting the link between a state and its citizens could be a bias, however, this example may clarify the reason why a Berliner shares his taxes with all the German citizens easier than a citizen of New York.

\(^1\) This classification was made by Fabbrini, in order to overcome the Lijphart one. Fabbrini classifies democracy as consensual and competitive ones. The consensual model is based on an institutional system made to incentivize the cooperation between the parties after the election. Thus all cleavages are represented, anyway understanding the parties’ responsibility becomes impossible. The competitive model is made to incentivize the competition between parties before election. From this kind of competition, that incentivizes a bipolar party system, there will be only one winner and it will govern alone (Fabbrini, 2008).

\(^2\) (Brozio, 1994)
York who does it with someone who comes from a different American state. In fact, the way by the federal state collects taxes is completely different from the US one.

According to Sartori’s rules, I decide to compare only the most similar models. This is the reason why I will leave the US-Germany comparison to someone who is interested in comparing the most different ones. According to the transitive property, thinking about United States of Europe basing it on the German federal model is wrong and dangerous as well. It is wrong because we are speaking about different federal models and different kinds of democracy. Furthermore, it is dangerous because building a state without understanding its cleavages could not create a functional state. An example of that could be the state building process in Middle East where a political system has been planned without considering the religion such as the main cleavage.

The next step in order to understand a compound democracy is to understand its citizens. In this kind of states, the social cleavages depend on where someone comes from. For the second time it could be useful to think about the US model: does a citizen from New York have the same lifestyle as an Austin one? They could have the same religion, language, habits, stereotypes, idols, etc… (or not) and this is the reason why both are proud to be US citizens. But they don’t have the same political necessity and their economy is different as the kind of jobs that the middle-low class are doing. Coming back to Europe, the economic cleavage was one of the most difficult problems to solve in order to arrive to the single market. The debate about the role of the Polish plumber\(^3\) in the common job market is an evidence of that difficulty.

In order to respect these differences, the federal model representation is organized in two different ways. Every citizen votes for a representative of their state (the US) or canton (Switzerland) and for a legislative that represents the whole country. The way by the US and Switzerland organise their representation will be exposed in the second part of this chapter.

The last step in order to understand the compound democracy model is to grasp how political power is organised. There are two levels of power separation: horizontal and vertical. The vertical one creates a link between states and the centre of power. The horizontal one is the link between institutions according to a system of checks and balances. The federal model tries to aggregate single states but letting them be independent. We are speaking about federal union models because sovereignty is shared between centre and peripheral power zones (Fabbrini 2008). In fact, each

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\(^3\) During the EU Constitution referendum campaign, the Polish plumber was the metaphor of the low-paid working class that would invade France national job market if the referendum had passed.
federal system gives exclusive jurisdiction to the peripheral zones to take control over specific public issue. The jurisdiction could be legislative, administrative and the fiscal one.

Furthermore, the federal system is interactive. It splits the government process between two levels: centre and periphery. The division respects the subsidiarity principle because it creates a net of institutions where the nearer to the citizen one is able to act and reply to the citizens’ need. Meanwhile, it politically integrates central and peripheral levels in order to protect the principle of freedom (Beer 1993).

1.2 Federal State and federal union

Now that I have explained what a compound democracy is, I will be focus on the US and the Swiss model. I will focus on their governmental form, fiscal system and presidential role, highlighting differences and similarities (Fabbrini 2005; Derthick 2001; Elazar 1984). Furthermore, I will use these two different models to expose two different kinds of federalism: the competitive and the executive one.

I will separately describe the model of these states in order to underline differences and similarities. However, there is something essential that is common to every model. A federal union needs a constitution that strongly rules how institutions have to separate and share power. Signing a constitution is only the starting point of a federal union building, but how the EU case still shows, it is one of the most complicated treaties to draft.

A: United States of America

Starting with US model we could define its government as a system of separated institutions sharing power. Each state is represented by a legislative chamber (elected by majority system with unicameral electoral constituency) and by a governor (directly elected from the electors). Each single state takes control over his local authority but the centre has the power to harmonize policies and living conditions. This kind of constitution is very flexible and this is one of its best qualities. Indeed, when the economic or political conditions will change, the way that institutions have to share power will change as well. The US history is full of examples of oscillating movement on the

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4Federal centre had been super-strong from Roosevelt’s age to the Regan one and after this experience there was a reconfirmed federated state power during the 90ths.
horizontal level. Furthermore, this pendulum is strongly linked with the party where the president who has won the run for the election comes from.\(^5\)

Speaking about fiscal system, the US Constitution does not rule anything about taxes allocation from central and periphery power zones. According to Fabbrini, the evolution of the intergovernmental relationships has ensured that the federal centre acquired the exclusive monopoly of customs, while it has been having to share with the single states the collection of the direct and indirect taxes. Nevertheless, it has not notched the fiscal self-sufficiency of the single states and of the other local bodies that depend on the legislation of the latter.

According to Fabbrini (2007) and Ostrom (1991), the oscillating movement between federal centre and federated states is emblematic of a competitive federal model. It means that federal and federated states have the same governmental, administrative and legal bodies, but federated states could be more powerful because they can control federal policy through the Senate.

In order to understand the role of the president, it is necessary to comprehend what the Americans mean when they speak about sharing powers. It is the institutional process that makes the decision. It is not the President. It is not the Congress. Understanding that the power is more controllable if it is shared and separated, is what makes the US one of the main compound democracy in the history.

So, why is understanding the role of the president important? In order to keep focused on taxation, the reason is that he is the person who people give their taxes to. He actually cannot decide how to spend the money without Congress agreement, but he is the representative of millions of American people interests. With his policy, and his influence on the congress as well, taxes became something manageable by federal centre instead of by federated states. The president is the man who has the role to understand history (and economical) flows and move the flow of money from the centre to peripheral zones and vice versa. A figure like him does not exist in the EU and that is something that has to change in order to create the United States of Europe. However, this is not the place to focus on this topic. I will speak about it during next chapters.

B: Switzerland

Switzerland is made of the combination of 23 different cantons. According to the federal constitution, each canton rules his territory and exercises sovereignty over it. Each one can have his

\(^5\) Usually, the democratic party is traditionally linked with federal state issues. Instead, the republicans have become the party that represents federated state motion (Fabbrini, 2008).
different constitution if it does not face the federal constitution and if the people of that country approve it by a referendum. The same people can change the cantonal constitution through a simple majority. This is the reason why people in Switzerland do have the same constituent power of a canton. Furthermore, by referendum people can sign international agreement and decide about geopolitical issues as well, so they have the same power as a chief of state. It is clear that the Switzerland way to share power includes its citizens as a part of the policy-making flow, solving lots of problems that its cleavages has: different languages, different religions, different immigration flows, different traditions and so on. Each canton can decide on its own form of government, but the federal centre has been able to harmonize them. It is very interesting because, following Switzerland’s long referendum tradition, the future United States of Europe leaders have a key to face Europeans cleavages. Furthermore, creating a constitution that improves people’s opportunity to participate to a referendum could resolve the democratic deficit in Europe. Nevertheless, a model such as that is not importable from a country as large as the European one. However, the Eu citizens currently have the right to participate directly to the EU policy making process through the European Citizens’ Initiative. Anyway, the difference between a referendum and the opportunity to present to the institution a popular iniziative is qualitatively and quantitatively evident. It is more true because of the difficult to overcome the iter to present the iniziative.

Speaking about legislative process, the federal constitution gives to the federal centre some powers and all the rest is ruled by federated states. Public policy is ruled by competitive powers: the centre produces frameworks laws and the cantons have to apply them according to their own situation. The balance of power between centre and cantons is maintained by the centre’s lack of administrative offices. However, it is undeniable that centre’s control over cantons is improved because of its power to check how each canton’s administrative office works. This is the reason why, according to Fabbrini (2007), I have classified Switzerland as an executive federal model.

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6 They can organize a referendum in order to change a law just with 50,000 signs or with the agreement of 8 cantons.
7 TEU, article 11.4: “Not less than one million citizens who are nationals of a significant number of Member States may take the initiative of inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens consider that a legal act of the Union is required for the purpose of implementing the Treaties”.
8 Art.3 Cost: “The Cantons are sovereign insofar as their sovereignty is not limited by the Federal Constitution and, as such, exercise all rights which are not entrusted to the federal power”.
Speaking about institutions, Switzerland has a bicameral national parliament that respects the double necessity of people. Indeed, one house represents all the cantons, while the other one is made by two representatives for each canton. Here, it is clear the influence\(^9\) that the US senate has on the way Switzerland’s Council of the States was built. It makes clear that everyone who wants to build a combined federal system has to look up to United States constitution. On the legislative line National Council and Council of the States have the same power, but we cannot forget the power that referendum gives to the people.

Concerning the taxes issue, the cantons have more power than the centre. The improving of direct taxes makes each canton richer but without the centre’s guideline to harmonize money allocation, the economic differences from canton to canton are growing up as well. Following Lijphart (1988), it is interesting to note that Switzerland is the model where the federal centre receives less money than every other federal system. This is an inflexibility that you cannot find in US model and that creates an insurmountable obstacle to power centralization.

Speaking about the presidential role is so difficult because of the way by Switzerland president is elected. Switzerland’s national executive is made by seven members\(^10\) selected by National Council and Council of the States. It works for four years, and during this period every member of the govern will became president for a while. Because of that, looking for a link between presidential role and taxation, as I did before with the US model, became useless because of the difference between the Switzerland presidential role and the American one. The link that I will be focus in, it is the one between taxes and the cantons’ different way to manage it. People has the power to approve or reject his canton’s balance sheet by referendum and has a great opportunity to check how his money will be spend because of the small extension of each canton. This opportunity to control local institutions is one of the reason why a small country as Switzerland is one of the States with better lifestyle\(^11\), and overall one of the states with the fewest tax evasion level\(^12\).

Regarding democracy attendance level, the constituents idea to create a system where people can participate to the process of checks and balances, makes the Swiss citizens able to check and change directly their federal model by referendum. Nevertheless, a system such as that could be used only

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\(^9\) The only difference is that Switzerland has 46 representatives (instead of 52) for 23 cantons. The reason is that there are 6 cantons that are considered as middle ones and so each one of them has only one representative.
\(^10\) Seven members are selected between the firsts four parties, by the logic 2-2-2-1. Furthermore, the members have to represent the three biggest linguistic community, by the logic 4-2-1 (Fabbrini).
\(^11\) According to the UN World Happiness Report 2015, “Switzerland was the country with the highest lifestyle”.
\(^12\) According to Eurispes rating 2017, “Switzerland and USA are the countries with the smallest fiscal evasion”.
in order to rule a country with a small extension and this is why I consider the US model the only one that the EU has to emulate.

1.3 The EU

The establishment of the EU citizenship in 1992 (Maastricht treaty) was the first step to create a European community spirit. Unlike other citizenships, the European one is the only that gives lots of rights asking no one duty. Establishing a common fiscal system could be a way to balance the Europeans owe to be represented from the EU without pay taxes for it. However, it is clear that every ideas about creating a new fiscal system becomes useless if European citizens do not feel themselves as a single community.

Habermas said that the national self-comprehension represents the cultural horizon in which the subjects become politically active citizens. This transformation has lots of consequences on the way people may think about their citizenship status. In fact, the citizens' nation, being wanted, is the source of the democratic legitimation; meanwhile the nation of the belonging ethnic, being innate, it handles the social integration (Habermas, 1998). Nowadays, everybody in Europe lives these two kinds of integration that have been improving from the European Coal and Steel Community agreement to the Lisbon one.

Habermas was speaking about national-state but the cleavage between national community and state one - and so between people and citizens - could be the same to a federal state as well. So, the best way to face this cleavage is making it the base where we can build a federal model. Nowadays the EU is not a federal system, of course. It is a union of different states that during the last 70 years has been transferred part of their core powers to some institutions that want to become a federal centre. However, it is a union of states that has all the features to become something more.

In the last part of the chapter, I will expose why I argue that it is easier to improve state interdependency by a common taxation system than by a common international policy. I will do it starting from what a state is and arriving to explain why Europeans should believe in the United States of Europe.

First of all, I need to explain what I mean when I speak about state and nation. It is important because the state is the unit of a federal system and so without understanding what it is, aggregating

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13 The active citizenship is no more required to gain access to European citizenship rights. Furthermore, the induction of the “useful effect”, has considerably improved the number of the people who can be considerate European citizens, making the European citizenship one of the most aspired in the world.
several states respecting all their cleavages will become impossible. I will focus on the issue of state and nation in two different ways. Now I am going to explain the function of the state, and then I will explain what a state is for its citizens. Recalling Habermas (1998), a state could be considered sovereign only if can maintain the public order inside and protect its own borders. Economic and personal security of the citizens is covered by fiscal entrances drawn from private citizens.

So, now I am going to analyse the relationship between the EU and these matters. While public order is an issue that each state rules himself, the EU has a harmonized international policy made by the High Representative of the European Union for Foreign Affairs and Security policy, the President of the European Commission and the President of the European Council as well. Furthermore, the EU has independent revenues from the states. These incomes are necessary in order to make the European Parliament and European Commission independent of the European Council. Nevertheless core state policies independence is kept only in the Lisbon Treaty.

By this precondition, it is clear that a federal system is so far to be realized and the way in which the Constitution for Europe project failed is the biggest evidence of it. If making the international policy more interdependent seems impossible, there is a topic where the EU has improved its interdependence since it was born: the economy. A common fiscal system is the next step to make it more interdependent. However, I do not want to assume that the European citizens are ready to pay their taxes straight to European institution. Nevertheless, in the next part of this chapter I will expose why they should be.

European history is full of agreement and treaties made to create the idea of a European citizenship: common borders, common political institutions, single market, common rules and so on. Furthermore, religion, political cleavages, culture, art, food, sports are a small part of the never-ending group of common things that European people have. If the first list is something that is linked with state’s issues, the second one is clearly linked with the European community building. Nowadays, Europe’s biggest cleavages is between Europeanists versus nationalists and pro globalization versus anti-globalization and the future of Europe depends on who will win this political battle. The European Union can easily face this challenge with several changes of its

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14 European Council votes by consensus, this is the reason why the EU international policy is anchored to states’ egoisms.

15 UE has three different balance sheet’s incomes: the fist one is a 1% rate on GNI (gross national income); the second is the VAT that does not overtake the 50% of each one state’s GNI and import taxation. The third income is the only completely independent from the state’s decision making. European states pick up europeans custom taxes and then give them to UE institutions, holding the cost of administrative fees.
institution but, waiting for that moment, how can a European understands which side he has to support? As every political challenge, the first step is to start from the educational system. The Erasmus plus programme, the knowledge of the common identity, knowledge of the same language are all aspects able to open people’s mind. Moreover, it is clear that all Europeans need a mass media system able to describe the EU in a serious way and a national political class that wants to face problems without using the EU as a scapegoat.

To think that the EU could be built only by the things that I explained before is naive. To support the idea that cooperation and functionalist integration are enough to arrive at political integration is clearly determinism. According to Haas (1964), the spillover process could be the right way to think about political integration. We can find this idea through all the history of the EU. Closer economical link made closer political and legal links as well. But affirming with Haas and with the neo-functionalists that the spillover effect is the victory of economy on politics is not supported by the facts. It is true that the EU history shows that economy could grow up during political time of euroscepticism without improving interdependence between European states. Anyway, Brexit is a powerful example that being one of the best financial market and one of the best economies in the world is not enough to “submit” to a federal state if your citizens have the opportunity to vote on.

Without politics, without right policies that aim to make Europe more interdependent, there is no economic conjuncture that can build a federal union. Money does not comprehend people, politicians do it. Globalized economy has a lot of positive things to offer to people: it improves peace, lifestyle, global knowledge as well, but if it is left alone it is not enough to create consensus. It is clear that a positive economic conjuncture can help integration. But it can do it because it gives the opportunity to politicians to work on this issue. The real challenge will be to create a system able to preserve all the cultural differences of one state, and the federal union model is the best way to do it. In fact, according to the Welher’s idea, the federal union of states embodies a more attractive utopia than the return to the statu quo ante of the national state.

At the moment the Europeans live in a continent that is splitted in several countries which speak different languages, but where everyone will be able to speak in English in few years. The Europeans live in a continent where people live the same political cleavages, where they have very similar life-styles and where the jobs market is becoming every day more interdependent. The Europeans live in a continent who has the same rules and that has the chance to defend their

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16 This was one of the topics of the 1986 Single European Act and of the 1984 Fontainebleau’ statement
differences by a federal model. The European cleavages are not impossible to represent. Probably the post Maastricht generation had been the first one to grow up without ideological walls and maybe the first one that lives only the geographical cleavages instead of the ideological one. If it is true, the next European citizens generations will start to live the same cleavages that the Americans live in the US federated states or the ones that the Swiss citizens live too. By adopting this idea, what the Europeans have to wait for in order to live in the United States of Europe is only the political convenience to realize it. However, if it is true that the goal of political sciences is trying to imagine and study what has not happened yet, foreseeing and then advising politicians, it is also true that it is not possible to imagine a state without a taxation model. This is why in the next chapter I will describe US taxation model in order to understand how can we imagine the European one.
Chapter 2

Following the US model

This chapter will be divided into three parts. In the first one, I will expose why a common fiscal system could improve checks and balances and why the European citizens need it. Then I will analyse how the US fiscal system is made by comparing it to the harmonised European one. The last part analyses why the US could be considered one of the best examples that the EU could follow to build its common fiscal system.

2.1 Political Exchange Theory

In order to understand what is the link between taxation and federal integration, I need to explain the one between parliamentarism and fiscal pressure. In the next part of the chapter I will call it “political exchange theory”.

This theory aims to demonstrate how fiscal pressure could be linked with the improving of the parliamentary system.17 The idea is that exceeding a specific taxes percentage point, people become interested in being citizens and not only subjects because the rate they are paying is too high to not claim a liberal rule of law (Ferrara, 2005). Therefore, the raising of the fiscal pressure has been essential to the development of the liberal doctrine, settling the idea of private property and creating the idea of “lassez faire”. Basically, we cannot live in a democracy – and obviously in a welfare state – without taxes (Ferrara, 2005). The austerity idea, the willingness to reduce public debt making strategic economic policies and structural reform, the checks and balances idea of not allowing the institutions to waste public money, strongly depends on taxation.

Now, it could be interesting to analyse how the link between taxes and governance is absent in the Europe.18 I have already underlined how the EU budget is made, so how can we expect people could

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17 Magna Charta was one of the first example of the king’s need to receive the consensus of the barones in order to increase the fiscal pressure. This was the first step to bring the king into the parliament.

18 Following Ferrara, a system could not be considered a democratic one if it is the consequence of a waterfall effect that starting to the electoral process within the state moves the decision making power to the supranational organizations such as the WTO, the EU and the WB (Ferrara, 2005). The absence of the link between tax payers and the European governance is able to delete the elected assemblies’ role which becomes the executor of a law that has been decided by the EU institution.
be really interested in something that is completely free, unknown and always used as a scapegoat to cover politically wrong choices which are taken by the domestic political class who is elected by its citizens? How could it be possible inciting people to check the European parliament acts if it is not the most useful way to check where their money are invested in and in order to do what? How has it been possible to realize the idea of a representation without taxation? The present way to build the EU budget is too close to one of a supranational organization to be perceived by the people as something they are financing as it happens for their national budget. So, if this model cannot produce a useful perception to build a conscious European citizenship, what could the EU change? First of all, it is important to find a way in order to make people think that it is useful to check what happens in the EU institutions. Following the “politically exchange theory”, the creation of a more democratic relationship between citizen and institution depends upon imposing a European direct taxation. The next step is understanding which model the EU should follow.

According to what has been argued in the first chapter, the Swiss model could not be suitable and cannot be exported to the EU. First of all, Switzerland is too little in order to compare its social issue policies and its budget management with the one of a hypothetical European State. Furthermore, the traditional Swiss feature to organize referendum capable of changing even the Stability Law, is not exportable to a big size state such as the EU could become, especially if we consider all the social, cultural, wealthy differences within the European countries. So, if we would use taxation as a way to create a link between people and institutions we cannot consider a model like that. So, from this point forward I will analyse only the US model.

2.2 The US Fiscal System

Following the guide on the US taxation made by the Italian Trade Agency (Miami Agency, 2015), it is possible to note that the US taxation is divided in several levels: federal, state and local ones. At the federal level, the most important taxes are those linked to the companies incomes, personal income properties and donations. Furthermore, there are: health services tax, indirect taxes and border taxes. The highest possible federal aliquot on companies’ incomes is 35%\(^\text{19}\). Federated states and local authorities could impose a tax aliquot that swings from 0% to 12%. Lastly, the taxpayers have to pay Social Security Administration and Medicare.

\(^{19}\text{It could be raised until 39% for specific companies’ incomes categories with a taxable income from 15.000.000\$ to 18.333.333\$. It is interesting to note that with a taxable income higher than 18.333.333\$ the aliquot will come back to be the 35% one.}\)
Since 1969, the US fiscal system has been considered a parallel taxation system: the Alternative Minimum Tax (AMT), which prevents taxpayers with high taxable incomes from using tax deductions\(^{20}\) to lower their taxable incomes. The aliquot swings from 26% to 28% and it is used to tax only the salary amount that oversteps ordinary income. Corporations have to pay this kind of tax in order to prevent the abuse of tax deduction (or exemption) as well.

This is what happens to the US citizens and companies, but how does the fiscal system work with \textit{not} resident workers and companies? Regarding workers, everyone that does not have the permanent resident card or who is established abroad, is considered as a not resident foreigner by the fiscal system. This category could be taxed through two different ways. FDAP (Fixed or Determinable, Annual or Periodical) is the tax on income generated in the US and provides aliquots until 30% of the incomes. These taxpayers cannot use tax deductions. The last way concerns the incomes that are directly connected to the US commerce including the incomes generated by interest on properties. Concerning companies, all the national corporations have to pay taxes to the US even if the incomes are generated abroad. The subsidiary abroad incomes of a US national company are exposed to the US fiscal system regardless of the amount of money that is repatriated or not. Instead, the foreign companies are taxed on the incomes in two different ways. They could pay taxes on the incomes concerning commercial activities made in the US. These activities are taxed on net basis and the fiscal system provides which deductions are usable. The last way to tax the companies income is the FDAP tax with an aliquot fixed at 30% of the incomes. Furthermore, foreign companies could be taxed on interests and on the capital gains in order to treat them and the US corporation in the same way.

Speaking about the US fiscal system, spending some time analysing which are the differences between federal, state and local taxes could be important. In fact, it is easy to understand that the federal tax is the same all over the US, meanwhile the amount of the state taxes exposition could change from a state to another one.

According to the article: Taxes in the United States (Brian Roach, 2010:8):

“\textit{Nearly all states (45 as of 2010) have instituted some type of general sales tax. State sales tax rates range from 2.9\% (Colorado) to 8.25\% (California). A few states reduce the tax rate on certain goods considered to be necessities, such as food and prescription drugs. (…) Other states with sales}

\(^{20}\)There are several kinds of deductions: specific kinds of health care costs; interest on a credit that was used to buy an house or used as an investment; charity donation and other tax deduction until the 2\% Adjusted Gross Income limit.
taxes exempt some necessities from taxation entirely. In most states, localities can charge a separate sales tax. While local sales taxes are generally lower than state sales taxes, there are exceptions”.

The sales taxes are different from the others that I have already analysed in this work. In fact, this one is a regressive tax, whereas income taxes have a progressive effect on the incomes. (Brian Roach, 2010:8):

“Low income households tend to spend a larger share of their income on taxable items than high-income households. Consider gasoline – an item that tends to be a smaller share of total expenditures as income rises. An increase in the state taxes on gasoline impacts low-income households more than high-income households”.

Showing these state-to-state differences, I would like to suggest that we should not think about a common fiscal system as a monolithic block of rules without any kind of difference or exception. The US fiscal system is the best example of what building a union through its differences could mean. This is the reason why the lasts part of this chapter will be a comparison between the current EU fiscal system and the US one, but before that it could be useful to explain what I mean by speaking about the current EU fiscal system. In fact, nowadays we cannot speak about a common EU fiscal system without making a terminological mistake. In fact, Europe has a common set of regulations ruled through European directives. According to that, using this terminology is not a mistake if we are meaning the rules made by European institutions and based on the Treaty on the Functioning of the European Union (TFEU), which are overarched to the single European countries’ rules. This idea is explained in the TFEU article 113:

“The Council shall, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament and the Economic and Social Committee, adopt provisions for the harmonisation of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market and to avoid distortion of competition”.

Therefore, this article represents the main principle of the harmonization of the EU taxation system and its goal is the creation of a free market that is fair, regulated and free from distortion of
competition. It is a good starting point, but it is not enough in order to create a federal state. The missing of the federal state building idea is confirmed by TEU article 4:

“The Union shall respect the equality of Member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government. It shall respect their essential State functions, including ensuring the territorial integrity of the State, maintaining law and order and safeguarding national security. In particular, national security remains the sole responsibility of each Member State”.

This article is the cornerstone on which single countries sovereignty is built. It is one of the examples why if a state building process will be started, the Lisbon Treaty cannot be used as the EU constitution. It focuses only on the well functioning of the market and this is inadequate in order to build a federal state because it leaves the main powers to the countries. The consequences are that the EU institutions do not have the opportunity to work on substantive equality as a federal state needs. At the moment every state has to manage the equality challenge through public policies which depend upon their budget. So, obviously, there could not be equality in the EU as long as the budget of the European states will be different. A common taxation could be a solution to adopt efficient allocative policies and to reduce differences between the European citizens. Anyway, it could be better leaving the normative part at the end of the chapter.

What we know is that the only way to have a market able to give the chance to all countries to improve their richness has been avoiding that fiscal rules could become something through which the countries can prevent competition. The harmonization process we are speaking about is the way by which the European institutions are trying to create a single set of rules able to reduce the differences in the taxation system of every European state. It has been possible setting these rules on the basis of the EU principles of subsidiarity, effectiveness, proportionality and loyal cooperation. The EU tool to reach harmonization has been and still be the European Council.

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22 TEU article 5.3: “Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level”.

23 The principle of effectiveness is the one that realizes the EU policies ruled by substantial right.

24 TEU article 5.4: “Under the principle of proportionality, the content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties”.

25 TEU article 4.3: “Pursuant to the principle of sincere cooperation, the Union and the Member States shall, in full mutual respect, assist each other in carrying out tasks which flow from the Treaties. The Member States shall take any appropriate measure, general or particular, to ensure fulfilment of the obligations arising out of the
directives. They are mandatory, but like every European tool have limits. In fact they can only establish a goal but the states can choose in which way it will be reached. Furthermore, the treaties ruled which are the goals the EU institutions can impose and which are the single state ones. At the moment, there is not a real common set of rules able to unite the fiscal system in one. So, according to its constitutional principles, only the state has the power to impose income or personal taxation even if each European country has the same kind of taxes. The structure of the tax is harmonized in order to face the possibility to tax the same company in more countries to the same income. Anyway, it is pertinent to note that the only reason why it is now possible to harmonize the fiscal system is because of the constitutional values’ similarity of the European countries. Considering fiscal pressure as one of the main reasons to contribute to fix the price of any asset, and the consequences that prices have on costs of work, costs of living, unemployment, etc., a common fiscal system based on something more than a link between the values of several constitution could be useful. It cannot be possible to unite the EU countries saving their differences, as the Lisbon treaty said, if the only thing the current system is saving is inequality instead of cultural and social elements.

Moreover, it is interesting to note that even if the federal union building process could be consider such as a middle-long period achievement, a previous introduction of a common fiscal system may be useful to improve efficiently the European common market. In fact, living in an area where the incomes and sales taxation is common and the cost of work is the same, could fight some of the worst consequences of globalization, such as dumping or moving the companies’ offices where cost of the work is cheaper. Anyway, it could be difficult to understand why creating a fiscal system outside the federal union building process should be useful.

If the price of the goods is knowable and clear and the fiscal pressure is standard in each country, could the public services of each country converge to high, common standards? The European history teaches us that behind a forward step on the integration improvement “stair” has usually been an economic improvement. So, Europeans should have benefits because of the competition

\[\text{Treaties or resulting from the acts of the institutions of the Union. The Member States shall facilitate the achievement of the Union's tasks and refrain from any measure which could jeopardise the attainment of the Union's objectives.}\]

\[26\] The value-added tax is present in each European countries as the CE directive 2016\112 ruled.

\[27\] According to AmCham EU since nineteenth the presence of a European common market has improved the European area’s GDP of 1.7% meanwhile per capita GDP is annually raised over than 1000 euros. Medium family spending is annually raised over than 600 euros and furthermore the common market has created more than 3.6 millions of new work's places
that a big size market as the European one could create, in particular if the starting points of each company are becoming similar because of the common fiscal system’s effect. Moving forward on this way could really mean improving the substantial equality of the European citizens as it has never happened before.

2.3 Could the US way be emulated?

Applying the US model to EU it is not easy, but no one believes it is possible to export a model in a different country and using it having the same result.

As Fabbrini (2005: 16) said:

“Nor is there an “American model” to emulate as some observers maintain. In fact, many elements of this “model”, especially on the institutional level, would be quite difficult to export as they are part and parcel of a unique institutional experience, whereas other elements had better not be exported”.

But there is some coincidence between the EU and the US models that might permit the emulation of the US model. Quoting Fabbrini (2005: 19):

“The process of European integration is promoting the formation of a political system that displays many more similarities with the American one than with the systems of the individual member states of the EU. Between Brussels and Strasbourg a sort of separation of power is becoming institutionalized (instead of a fusion of powers as in the EU member states) between the Commission, the Parliament, and the Council of Ministers; with a European Court of Justice invested with the power of judicial review; with European political parties that are bland federations of national parties; and with interest groups that play a growing role in the process of policy making. At the same time, the process of European integration is promoting a market system at the continental scale that has the regulatory features of the American one. The strategy of market-support designed to create a private competitive, rather than a public controlled, economy. A system of regulation capitalism has come to assert itself that is not very different from the one America started to experiment with in the 1890s...”

The EU and the US models are gradually becoming more similar. Could the fiscal system be the next step? According to the current political events, there are some prime ministers of several European countries who are speaking about an improvement of the fiscal harmonization. This is a
goal that is ideally scheduled after the creation of a single banking system, but it is clear that nobody could really know if and when this program will be realized.

According to what I have exposed, it might be interesting to examine in depth what could happen adapting the EU fiscal model to the US one. One of the most interesting aspects could be the division between federal, state and local taxation. The aim of this thesis would not be analysing how much the aliquot should be or how long the transition from the present model of taxation and the federal state one could be. The thesis just aims to expose what could be the benefit to the citizen using this model. Imagining a federal state tax, with a progressive aliquot, who ruled people that are already considered as European citizens and that already have the same laws – regardless of some differences that you usually could find also between the US states – should not be utopian. If the present countries will be federated states, they could still impose their taxes, using that only to manage public services that they are able to provide. Following the subsidiarity principle, every service that the federated state cannot sustain could be covered by the federal centre using the federal tax. Furthermore, in case of federal state building, every present country public debt will become a federated state public debt, separated from the amount of the federal state debt\(^{28}\) and that the rating agencies do not consider to benchmark the default risk of a state. Something like that could lower the annual cost of the public debt of each state giving them the opportunity to spend more money for other policies. Furthermore, a common European sovereign public debt linked with a “common government bond” means that the EU institutions will have a lot of more money to spend in order to realize the seven-years programme.

Anyway, even without a common European government bond it would be useful if the European Central Bank would make a monetary policy regarding only the EU public debt instead of 28 different ones. By this way, taxes should not be used to cover the debt but to provide services. Furthermore, being a Federated Union means making only one monetary policy that concerns only one economic policy (the federal union one). Currently, we are living the contradiction of making only one monetary policy and demanding that it will be perfect for 19 several economic policies. Obviously, thinking that changing the fiscal system could be the solution to every problem is naive and unscientific but maybe the rationalization of the European fiscal system linked to the increased tasks that the EU has already added could be a watershed between the EU as a supranational organization and the United States of Europe. In fact, creating a common fiscal system without

\(^{28}\) As it is in the US (Teoria e critica della globalizzazione finanziaria, Di Gaspare, 2011).
inserting it in a state building process should be possible, maybe leaving this choice to a referendum. However, it should be more appropriate thinking of the fiscal system as part of a new EU constitution.

Anyway, there is another topic I would speak about. Considering the US fiscal system such as a low pressure one, it could be difficult to figure out how it can be exported to the EU because of the cultural differences concerning welfare. However, it is true that the US could be considered one of the best fiscal model in a big size federalism to compare with the EU, but there is no evidence that in order to export a model like that the EU has to renounce to its welfare state tradition.

Furthermore, it could be interesting to evaluate if the amount of taxes that every European presently pays will raise or not following a common taxation. A deeper integration between European states could contribute to decrease the price of the taxation system and the differences between each European country cost of work and goods. In fact, only a zone with a harmonized set of rules could become a state with an efficient taxation. I would like to suggest that creating a common fiscal system is not only something that could improve and accelerate the EU federal state building, but that it may also be enough starting to project it inside the EU institutions in order to accelerate the discussion about each topic that needs a harmonized set of rules. The 2017 proposal regarding the foundation of the European Monetary Found, the institution of a European minister of the economy and the inserting of the Fiscal Compact inside the treaties, might be another good venture in order to walk this way. This is the reason why I believe that this is the key topic in order to create the United States of Europe.

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29 Each one of this topics is considered as an 2018 European goal by 2017 The State of the Union Address made by Juncker
Chapter 3

Comparing tools: can the EU compete with the US spending?

The purpose of this chapter is to comprehend how the US and the EU budget are made, which differences they show and which kind of policies they can do using their budget money. In the first paragraph, I will focus on the US budget and try to comprehend what kind of role the debt plays it. In the second part of the chapter, I will analyze the EU budget and the way in which the EU allocates money in order to enact its own policies. In the last paragraph, I will consider the link between a federal distribution of taxes and the interstate mobility and fiscal element. Furthermore, during the whole chapter I will try to comprehend which are the limits of the current European model.

3.1 The US budget and its debt

The first step in order to comprehend the way through which a budget is made depends on the understanding of what the budget is. Basically, the US budget is the way by which the US president, in accordance with the Congress, decides how its policies have to be financed. It reflects the political priorities of the president and the way to cover them. It is ruled by the 1921 Budget and Accounting Act and 1974 Congressional Budget and Impoundment Control Act. Every year between the first Monday of January and the first Monday of February, the president of the US proposes to the Congress his plan for the new budget, according to the guidance of the Government Accountability Office, the Congressional Budget Office, the Office of Management and Budget and the US Department of the Treasury. The Congress replies to the president’s proposal with its amendments and then the president has to decide either to confirm them or using his veto power. If the president and the Congress do not find an agreement, there will be a shutdown period. Anyway, focusing on the economic side of what a budget is, I need to highlight how the budget is practically made. On the one hand, there is a part of revenues made by: individual income taxes, payroll taxes, corporate income taxes, excise taxes, estate and gift taxes, customs duties and miscellaneous receipts. On the other hand, there are the outlays which are splitted between:

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30 The US budget starts on the October first of each year
31 During a government shutdown, the federal government suspends every non-essential activity. The last shutdowns were on 2013 (Obama) and on 2018 (Trump).
mandatory: (social security, medicare, medicaid, income security, federal civilian and military retirement, veterans’ programs, other programs and offsetting receipts) and discretionary (defense, non-defense and interest). The subtraction between revenues and outlays is the deficit. In the last part of the paragraph, I will analyze how the US uses its deficit and so its public debt to improve its economy.  

Leaving aside for a while the deficit and the public debt issue, it could be worth noting how many money come from a single tax.  

Mentioning Sherlock and Marples (2014:14):  

“The federal tax system relies on several different revenue sources. In FY2013 the individual income tax accounted for 47% of total federal revenue, the social insurance and retirement receipts for just over 34% of total revenue, the corporate income tax for 10% of the total, and excise taxes for approximately 3% of the total. The remaining 6% was collected through the estate and gift tax, customs duties, and other taxes”.

and again:  

“Since the 1960s, total federal revenues have fluctuated between 15% and 21% of GDP, with the average over the period approximately 18% of GDP”.

These data are important because we can see how, despite the federal government shares the taxes with the federated states, it is still able to manage a notable amount of money to finance its policies. Adding these information with the elements previously stated in the first chapter, especially the way in which the US system divided the policy making process between centre and periphery zones (Sherlock and Marples, 2014:7), it is possible to understand that a European common taxation system based on the same principles is not an utopia. Anyway I will analyze that in the third part of this chapter.

In the last part of this paragraph, I am interested in analyzing the public debt role on the US budget comparing it with the debt role on the European states one. Each federated state has its own public debt and only the FED could know how big it is. This means that even if each federated state were near to default, only the US public debt would be analyzed and marked from rating agencies. The

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32 Di Gaspare, (2011) Teoria e critica della globalizzazione finanziaria, Lavis: CEDAM
value that the rating agencies give to the government bond benchmarks how the states are trustworthy. So, considering that the interest rate is lower when the trustworthy of a state is high, comparing with the EU, the US will have been benefited until there will set an European public debt as it is for the US. It means that the US finances its public policies paying lower interest rates on its public debt comparing if they should be valuated for an aggregated public debt made by the sum of their federated states’ public debt. It is interesting because nowadays each European state finances its public policies proportionally to its own public debt rating. If the UE could aggregate its states’ debt as the US does, financing public policies could have had a lower price. Furthermore, the benefit consists in the way by which the FED could act during a financial crisis and overall in the way by which the FED had acted before the crisis. Anyway, the public debt issue is not only important because of the accountant benefit but even because it is a powerful example of what happens when the system is thought in order to satisfy the interests of a federal state. Randall Henning and Martin Kessler (2012:19):

“Europeans should consider three essential aspects of the context in which the balanced budget rules of the states operate. The US experience suggests that the particular path through which rules are adopted and enforced is likely to be critical to their implementation and that introducing such rules for euro area member states should be accompanied by a federal system of fiscal powers and a common fund for rescuing and recapitalizing banks. Consider these three caveats in turn. Within the US federal system, the states are “sovereign” with respect to debt. This sovereignty has two facets. On the one hand, the federal government neither mandates nor enforces balanced budget rules for the states. Although states were responding to similar financial problems in similar ways, these rules were adopted autonomously and are implemented independently from the federal government. In modern parlance, states’ “ownership” of these rules is complete. On the other hand, states have no recourse to the federal government when they have difficulty servicing and repaying debt. The federal government assuages funding problems in current expenditures, such as through the ARRA of 2009, but these transfers are largely discretionary and do not relieve state and local governments of debt obligations”.

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33 The trustworthiness of a state is inversely proportional to the chance of its default and so the inability to pay the interest on the government bond they have already sold.
34 Considering the 2007 crisis, acts as the Troubled Asset Relief Program and the Term Asset-Backed Securities Loan Facility, were more effective and were made faster then the European ones.
35 The FED bought government bond on the secondary market in order to give more money to the bank. It had two purposes: the first consists in giving a flow of cash to the bank that become able to facilitate the access to the credit for the citizens. The second one is sold every time all the government bond in order to lower the interests rate and look like a state with a never ending economic growth. (Di Gaspare, 2011)
The differences between this system and the one creating by the Fiscal Compact could not be bigger. This does not mean that the EU system is not well done, but maybe the tighten regulation that the EU treaties imposes could be avoided if the EU were a federal system instead of what it is now.

Randall Henning and Martin Kessler (2012:19):

“The American constitutional design is thus very different from what European leaders envisage for the euro area: debt brakes that are mandated by the union and enforced by the Commission and the European Court of Justice. The difference is likely to be consequential in two respects. We suspect that local ownership and enforcement make debt brakes more effective than under central mandates, particularly in the context of credible no-bailout norms, and that rules that are centrally mandated are likely to prove to be more brittle than those adopted in a decentralized fashion. When one state violates the rule, as the experience with the Stability and Growth Pact demonstrated, its applicability to other states is less credible. That is less likely to be the case with rules that have been adopted autonomously”.

A common market, with a single currency, with a harmonized law, needs a single monetary politics and so a single economic policy as it happens in the US. We cannot foresee what will happen when the EU banking union will be completed because the stability of the states’ debt level should improve the economy through a strong check and balances system able to resolve the problem of the twin’s debt. What we could note is that during the 2007 crisis, the FED has started to face the problems some years previously the fiscal compact was signed.

Following Randall Henning and Martin Kessler (2012:20): “creating stringent state-level debt brakes in Europe without a capacity for countercyclical stabilization would be a serious mistake”. The understanding of it is important because the European programming is seven year term and allocating billions of money in a budget that cannot be deeply changed without having the right tools to face an economic crisis could mean wasting seven years of development and growth.

36 In order to stabilize the system there have been made surveillance authorities as: EBA (European Banking Authority); ESMA (The European Securities and Markets Authority); EIOPA (European Insurance and Occupational Pension Authority); CERS (Committee of European Securities Regulator). Furthermore the ECB (European Central Bank) control powers has been implemented.

37 The relationship between a state public debt and the trustworthy of its banking system. When one of them is in crisis, the other one became in crisis as well even if has no financial problem because of the distrust of the markets in the whole national system.
Closing the break about the debt, in the next paragraph I will try to figure out if the EU has the financial tools to spend its money as the US does through the way by which its budget is done.

3.2 The EU budget and the European Multiannual Financial Framework

In this paragraph I will analyze the EU budget and I will explain how the EU finances its policies. Furthermore, I will be focused on the 2014-2020 Multiannual Financial Framework.

In order to explain what the EU budget is and how it works I would like to start from the Lisbon Treaty articles, but due to their length I will sum the approval process here and I will mention the articles in the footnotes. The process starts with the EU Commission that proposes a draft to European Parliament and the Council. The Council and the Parliament have to reach an agreement on the text. The text could be amended by these institutions and if there is no chance to approve it the Commission has to make a new draft. However, when the Parliament and the Council do not find an agreement on the new draft as well and an year will pass on without any budget adoption, the new budget will be ruled by the twelfths rule.

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38 Lisbon Treaty, Article 313: “The financial year shall run from 1 January to 31 December”.

39 Lisbon Treaty, Article 314: “The European Parliament and the Council, acting in accordance with a special legislative procedure, shall establish the Union's annual budget in accordance with the following provisions. 1. With the exception of the European Central Bank, each institution shall, before 1 July, draw up estimates of its expenditure for the following financial year. 3. The Council shall adopt its position on the draft budget and forward it to the European Parliament not later than 1 October of the year preceding that in which the budget is to be implemented. The Council shall inform the European Parliament in full of the reasons which led it to adopt its position. 4. If, within forty-two days of such communication, the European Parliament: (a) approves the position of the Council, the budget shall be adopted; (b) has not taken a decision, the budget shall be deemed to have been adopted; (c) adopts amendments by a majority of its component members, the amended draft shall be forwarded to the Council and to the Commission ...” the Conciliation Committee will set up in order to find a solution if there is a disagreement on the first draft of the budget. Following the TUE article 314 “(a) the European Parliament and the Council both approve the joint text or fail to take a decision, or if one of these institutions approves the joint text while the other one fails to take a decision, the budget shall be deemed to be definitively adopted in accordance with the joint text; or (b) the European Parliament, acting by a majority of its component members, and the Council both reject the joint text, or if one of these institutions rejects the joint text while the other one fails to take a decision, a new draft budget shall be submitted by the Commission; or (c) the European Parliament, acting by a majority of its component members, rejects the joint text while the Council approves it, a new draft budget shall be submitted by the Commission; or (d) the European Parliament approves the joint text whilst the Council rejects it, the European Parliament may, within fourteen days from the date of the rejection by the Council and acting by a majority of its component members and three-fifths of the votes cast, decide to confirm all or some of the amendments referred to in paragraph 4(c). Where a European Parliament amendment is not confirmed, the position agreed in the Conciliation Committee on the budget heading which is the subject of the amendment shall be retained”.

40 Lisbon Treaty, Article 315: “If, at the beginning of a financial year, the budget has not yet been definitively adopted, a sum equivalent to not more than one twelfth of the budget appropriations for the preceding financial year may be spent each month in respect of any chapter of the budget in accordance with the provisions of the Regulations made pursuant to Article 322; that sum shall not, however, exceed one twelfth of the appropriations provided for in the same chapter of the draft budget. The Council on a proposal by the Commission, may, provided that the other conditions laid down in the first paragraph are observed, authorise expenditure in excess of one twelfth in accordance with the regulations made pursuant to Article 322. The Council shall forward the decision immediately to the European
The EU budget is made by three kinds of revenues: the first one is a 1% rate of the GNI (gross national income) of each state. Then the states have to transfer a quote of their VAT that does not overtake the 50% of each one state’s GNI and import taxation. The third income is the only one completely independent from the state’s decision making. The European states pick up Europeans custom taxes and then give it to UE institutions, holding the cost of administrative fees. Mentioning the 2017 EU budget, the expenditure items are: economic, social and territorial cohesion; competitiveness for growth and jobs; global europe; administration; security and citizenship; sustainable growth: natural resources. The total amount of the 2017 commitment appropriations is 157 billions of euros. In order to understand how appropriate this budget is, it could be interesting to compare it with different kinds of annual budget. The world bank annual budget is 60 billions\(^1\) and the 2016 Italian annual budget is 1.573.002,2\(^2\) billions, so it is clear that the EU budget amount is still closer to an international organization budget than a state one. The data is more important if we compare the EU budget with the US federal one that is more than 4,147\(^3\) trillions of dollars. Furthermore, it could be relevant noting that meanwhile each European state pays 1% of its national GDP, the US federated states deposits to the federal budget an average of 14% of their GDP.

Now it could be interesting to understand why the EU budget amount is the current one. Following Monti (2016), the reason of that should be looking for the Freiburg school economic principle where the CEE and then the EU were built on. This principle explains that investing few money in order to finance economic policies is possible setting common rules and building a well done check and balance system. This is why the free market benefits are able to remove the inequalities more than any economic policy. The same idea was expressed by Fabbrini (2013) who identifies in the ordoliberalism paradigm the origin of the European internal market’s feature to rule by law the relations inside the market. The history of the EU teaches us that this principle has not completely worked and through last European MFF the EU institutions have tried to implement their spending on the public policies. From this need the EU cohesion policy and the European structural funds are born. The question is if this budget could be adequate to cover the achievement identified from the

\(1\) Monti, (2016), La programmazione 2014-2020, LUISS Press
\(2\) Documento programmatico di bilancio 2018, ministero dell’economia e delle finanze
\(3\) Budget of the US government, Fiscal year 2017 Office of Management and Budget
EU. In order to comprehend it, I will analyze the way by which the EU Multiannual Financial Framework is made with a focus on the regional growth achievement of the 2014-2020 one.

The MFF borns as a political agreement between the states on a seven years term plan of spending linked to the forecast of which could be the needs of the European states. Regarding the 2014-2020 MFF the aim of the EU Commission was the creation of a multiannual strategy to finance a “smart, sustainable and inclusive growth, designed to deliver a high level of employment, productivity and social cohesion” (Deloitte, 2014: 4). These achievements are splitted in several issue. Each one has its own program\(^4\) and its own funds. But we can find them aggregated in the expenditure items of the annual budget that I mentioned before. Each achieve is financed with a specific amount of money that could be spent from the states, the regions or the districts until 2023. These money could be spent only indirectly. It means that the administrations have to follow a specific iter in order to use this money. Furthermore, these funds have to be co-financed by the single beneficiary state and this is one of the reasons that often cannot give the opportunity to the regions or the districts to use them.

We are interested in understanding if the EU way to ask a few percent of the GDP to each state is able to resolve the inequalities that the European citizen lives. So, in order to understand that, it may be interesting to analyze how the EU policies impacts on the EU poorest regions or districts which are the ones that are more interested in using the EU funds to resolve their problem. Using the nuts three\(^5\) index it is possible to understand which local area is not able to have an index of growth high as any other European area. Translating from Monti (2016) the concept of deviation, is it possible to understand that until there are zones of the Europe which continues to have an annual level of growth and development lower than the richest ones, the inequalities will grow up. Currently the EU gives to the regions or the districts some money which can be used to finance projects, infrastructures, and so on, in order to fix the inequality problem. Anyway, there are a lot of regions in Europe that are not able to use these money and the consequence is that only the best regions or districts are able to use them. Obviously, the consequence is that the deviation between them and the poorest zones of the EU grows up. These data cannot be underestimated because the poorest zones are often the ones where the people could became more easily euroupean sceptic and it cannot be

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\(^4\) Some examples of them are: Competitiveness of Enterprises and SMEs (COSME); Horizon 2020; Employment and Social Innovation Programme (EASI), and so on.

\(^5\) the Eurostat collects the economic performances of each state with for different kind of filters: nuts 0, nuts 1, nuts 2 and nuts 3. Nuts 0 is the analysis of the national data, nuts 1 is based on the macro-regional areas, nuts 2 examines the regions and nuts 3 analyses the macro local municipal level within the state.
acceptable for an organization that aims to become every year more integrated. Considering that all the south of Europe regions: south Spain, south Italy and the whole Balkans are underdeveloped regions, the EU should start to consider as a problem the underdevelopment linked to geographical issue as a whole European problem more than it has been so far. Considering that the geographical issue is only one of the cleavages afflicting the EU, is the current way by which the MFF is made the best solution to resolve European troubles?

In the next chapter I will analyze the impact of the methods on the resolution of the cleavages and then I will explain in which way a deeper integration could help to resolve these cleavages.

3.3 Does the method influence the achievement?

In the last part of this chapter, I will analyze interstate mobility as an example of how the different kind of system influences the reaching of an economic achievement. My aim is to demonstrate that improving the European integration using a federal state model could partly resolve some of the current inequalities which the European citizens live everyday. Furthermore, I will analyze the impact that export the US model could have in order to resolve European cleavages.

As we know one of the problem that the EU would face is the implementation of the workers mobility from a European state to another one. I choose this issue because the freedom of people and workers to move, live and work within the Europe is one of the topic where the European market is built on. Unfortunately, the worker mobility is still an issue that lessen the EU integration. In the US the 40% of the Americans workers have changed state at least once in their life. The same index related to the Europeans is about the 3%. So, a step forward in the European integration could be improving an easy job interstate mobility more than it has been done by Erasmus plus program. In order to understand the EU interstate mobility’s limit I will start analyzing the US model following William R. Johnson (1988: 570):

“The standard argument about the issue might be summarized as follows:

1. Interstate migration of taxpayers and transfer recipients raises the cost to voters of income redistribution at the state level above the cost at the federal level.

2. Statewide redistribution confers spill-over benefits to residents of other states.”

46 Luciano Monti, 2016, Politiche dell’Unione Europea, LUISS University Press
3. Therefore, as compared with a national system, decentralized responsibility for income redistribution yields both less redistribution and less than the socially optimal amount of income redistribution”.

Johnson (1988: 573) argues that the effects of the state allocation of money ”clearly generates positive externalities-benefit spillovers and migration responses” but it is the changing of fiscal policy used by a state to reply to a previous one state fiscal policy change to weaken the interstate mobility. The reason is that: William R. Johnson (1988: 573):

“If the migration of taxpayers and transfer recipients is allowed, the proposition is weakened and quite possibly re- versed. From the point of view of a non- migrating state resident, an increase in state taxes induces some high-income persons to leave and entices some low-income persons to enter the state, both reducing the additional demogrant that can be financed by a given increase in state taxes. The migratory response to federal taxation is presumably much weaker since labor is less mobile internationally than between states. Whether state or federal redistribution is preferred depends on the relative strengths of the migration and tax-exporting effects and can only be answered empirically”.

By way of example, if a State implements its fiscal pressure and there are no other states which want to reply to that policy there will be two kind of migrations. A migration of the low income people from other state to this one and a migration of the high income people from this state to others. So the States which have no implement their fiscal pressure have reduced their redistribution cost as well. Anyway, the interstate mobility could be reduced if the other states will increase their taxes as well.

So, mentioning Johnson 47 (1988: 573): “The migratory flows might be greatly reduced by New Jersey and Connecticut's tax increase. However, the tax-exporting effect remains strong because tax increases by New Jersey and Connecticut have a relatively small effect on federal tax revenues”.

I choose this paper because it may be useless to speak about mobility implementation without considering its consequences on the tax system. Comparing the US case with the EU one, the differences between a fiscal systems with several aliquotes able to create a balance between the federated states interests and the European harmonized fiscal system is clear. It is clear because

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47 Johnson used New York as the example of the State that has implement its fiscal pressure and New Jersey and Connecticut as the state which have to reply to this policy.
within the US system the students or workers mobility does not create competition between states, meanwhile the EU system of harmonization is fragile and needs to be continuously checked by the EU Commision in order to prevent violations of the treaties. Until the interstate mobility will not be implemented and made easy and advantageous for people, the EU could not create a real common market and there are no chances to improve interdependence, integration and the people’s perception to be European citizen. In fact, nowadays, working abroad inside Europe still feels as leaving our country such as the EU citizenship did not exist. However, improving a citizen feeling is not the only reason to think about how to implement interstate mobility. In fact, a stronger interstate mobility could be one of the solutions to reduce the unemployment, guaranteeing a bigger job market opened to host the best European worker of each field. Furthermore, a bigger job market is able to implement the students’ willingness to study in the country they would like to work in. It could be useful in order to prevent that there are countries paying to guarantee the right of a free scholastic system to citizens which will leave the country after the graduation. Thus, an implemented interstate mobility could help to resolve social cleavages as the euroscepticism and unemployment. I cannot foresee if the EU will be able to reach the same mobility percentage of the US using its own currently policies, but there is no doubt that if the European citizens could count on the same set of rules which the US citizens has, there would be more interstate mobility. I leave to economists the forecast about how long could be the period to reach interstate mobility percentage closer to the US one, but changing the governance model to a federal one could accelerate this process.

I would like to conclude this chapter comparing the EU budget and the way by which the US one is made by the tax system. If the EU could count on a direct taxation on the natural and juridical person incomes may it could be possible to implement the public expenditure in order to make the EU public policies efficient. May it be possible doing it even using a low aliquot such as the US federal state does. The principle of proportionally will guarantee to the EU states that there would not be interference on the state public policy where it has been already efficient. Furthermore, a bigger European spending on the social issue could give the opportunity to the states to be focused only on their core power. In the next chapter I will analyze what kind of governance could be

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48 Mentioning TFEU article 3.b: “The Union shall have exclusive competence in the following areas: the establishing of the competition rules necessary for the functioning of the internal market”;

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adequate to implement the EU public policies and in which way the US model could be exported in order to make more efficient the EU one.

Chapter 4

Importing tools: how the EU could become a federal union

The last chapter aims to analyze how a common fiscal system could make easier for the EU the achievement of its economic and social goals. In the first paragraph I will analyze which features the EU could export from the US model. Then I am going to explain what kind of governance the EU needs to have a common fiscal system. In the last paragraph I will suggest which could be the consequences in Europe if the governance model will be changed.

4.1 What the EU could learn from the US model

During all the thesis I have pointed out some features of the US model. In this paragraph I would analyze which ones could be exported to the EU system in order to make it more interdependent, thus acquiring the right tools to become a federal union.

As I previously reported, the US federal system could be analyzed through two lines of power separations. The vertical one is the line who splits the power between federal centre and federated states, instead the horizontal line defines which are the institutions that sharing powers participating to the check and balances process. The vertical division means that each federated state is able to rule itself and at the same time cooperating with the other federated states to be a part of the policy making process that rules the whole federal union (Fabbrini, 2017). This is possible because the power between federated states and federal centre is splitted by jurisdiction on different policies. It means that there are powers such as the decision making about peace and war or international politics or commercial treaties which are only federal centre’s powers. Speaking about the EU side, that principle is not so different from the vertical separation ratified by the Lisbon treaty. Anyway, the value of the power gift to the EU Commision cannot be compared with the US federal centre one. In fact, the EU Commision has only the antitrust power in order to rule the competition between states and it looks more like a referee power on an economic issue than a political one. So, the increase of the EU Commission’s political powers is the first thing that is possible to export from the US model.

The horizontal division is the reason why the US could be considered as a system of separated institutions sharing power. It means that the power is shared between: the president, the Congress
and the Supreme Court. Such as the vertical line, it is possible to note that the EU current model of the governance is splitted in a similar way: Commission, Parliament, Council and the European Justice Court, but the outcome is totally different. This is an obvious conclusion because the logic of the US’ check and balances system was to create a federal union where each state and each demos could be ruled by its delegates following a common political system. (Fabbrini, 2017) Anyway, how the European governance could change is an argument that I will expose in the next paragraph. Now I would keep focusing on the vertical separation of powers.

I have already described the US constitution such as enough flexible to adapt itself to every situation letting the power to rule specific policies swings from the federated states to the federal center, and the opposite. This is an important feature that the EU could export in order to make the treaties lower tight and in order to make its policy making process faster and more efficient. Speaking about the fiscal system, a clear division of the jurisdiction on the policy without tight limits could make easier to comprehend which money should be spent by the federated state and which ones by the federal centre. It could mean that during an economic crisis period the federal centre is able to centralise jurisdiction on specific policies and to allocate money redistributing them in order to reduce social difference and to lower the deviation between federated states. Linking the US experience with the EU practice, exporting this feature of the US model means that setting a growth plan could be possible without the fear that the inability of some regions to use the money allocated for them could delete the achievement of seven year of economic programming’s goals. This is the reason why changing the jurisdiction on the policies is the step beyond changing the way by which the EU budget is made.

The first step in order to change the budget depends on its implementation. As I previously wrote, there is a giant difference between the percent of GDP that the countries give to the EU and the one that the federated states give to the US federal centre. If each state gives a significant percent of its GDP to EU, the European institutions could truly have a role in the citizens life becoming an active part of the subsidiarity principle. In fact, if the EU institutions could have the economic power to directly invest in its policies, the citizens may stop to feel them absent institutions as the political communication of some parties have tried to describe them. On one hand, having this kind of economic power makes the EU institutions able to delete the indirect management of the Structural Funds. It means deleting a lot of bureaucratic steps and giving to the citizens the opportunity to see and live the results of a policy when they need it and not some years later as currently happens. On
the other hand, if the EU institutions become economic independent, the intergovernmental logic that rules the decision making process of the European Council could be overcome. Exceeding the intergovernmental logic means to deeply change the governance system of the EU so I will analyze this issue in the next paragraph.

Taking a step backwards, the reason why a common fiscal system involves few bureaucracy deserves a focus on it. Currently, one of the reasons why the poorest European regions are not able to use the EU Structural Funds is linked to the method the EU uses to finance the policies. In fact, the regions could use the European fund after they will have finished the bureaucratic iter required to certificate that the project respects the EU goals and standards. It means that the regions that are taking more money from the EU because of their disadvantages are the same which should pay more money in advance in order to start the project. So, there are a lot of regions which have no money to realize the EU policies because the state’s co-financing cannot cover the starting cost of the project. Furthermore, the money are planned for a seven year programming but they could be spent in ten years. So, after four or five years from the starting of the European programming there is the risk that the regions could spend these money only with the scope to finish them in order to access to the ones of the new European seven year planning. This risk becomes a certainty analyzing the italian regions spending trends on these policies. The italian case could not be used as an example of what happens all over the Europe. Anyway, the fact that there could be examples like the italian one is an evidence that the whole system could be structured in order to reduce the opportunities to allocate money in an ineffective way. Moreover, it could be interesting analyzing the link between the moment in which the regions start to spend the EU money and the proximity to the electoral campaign in order to comprehend how the EU fund plays a role in the local electoral campaign, but it is not the aim of this thesis. Anyway, these facts highlight the limit of the indirect management of the funds and could open a debate on the utility of the tools as co-financing and additionality if there were a system able to give to the EU institutions the fund to finance their policies. This is the reason why exporting the US fiscal division between local, state and federal taxes could contribute to improve the quality of the policies, the efficiency of the way by EU budget is used and the control of the EU institutions on the execution of its planning.

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49 The co-financing cover between the 35% and the 55% of the total amount of the European fund depending on the field that concern the project.

50 https://cohesiondata.ec.europa.eu/countries/IT updating to 03/05/2018
In the next paragraph I will analyze how it could possible to change the EU governance in order to let the common fiscal system act to give to the EU the tools to reach its growth goals

4.2 May the governance be with you

As I have anticipated previously, I will compare the US horizontal separation of power with the EU one in order to understand how it could be possible to change the European governance. The first step is to understand which countries could be part of the federal union.

Following the five scenarios for the future of Europe that Juncker has indicated on his presentation to the Parliament on March 2017, there are only two options that could match with the thesis’ aim of implementing the integration. These options are: “Allowing EU countries to integrate at different levels and integrating more across most policy areas”. If the second one looks like the best option to choose, it looks like the most difficult to realize as well. In fact, it is impossible to not consider that the ex Soviet Union countries would not like to transfer their core powers and their political conduct shows that at the moment they do not want an implemented integration. So, “Allowing the EU countries to integrate at different levels” looks like the only way to improve the European interdependence. In fact, only the group of state that pursues a political idea of the European integration could participate to the more integrated club of states united by a common federal governance (Fabbrini, 2017). The states with an economic idea of integration could remain a part of the common market but cannot be part of the federal union decision making process. In fact, their presence might slow down the integration.

Once the group of the states which are able to support a federal union process has been reduced, the next step is to comprehend how to change the governance model. How I previously revealed, the first thing to change is the current intergovernmental process of the decision making process. In order to do that the first step is to enlarge the power of the European parliament and Commission. As we know, the European Parliament is already voted by the European citizens but it shares its decision making power with the European Council that expresses the interests of the single nation more than the interests of the Europeans. Anyway, the interests of the states could not be deleted in a federal union model, because it is based on the idea of sharing power and dividing jurisdiction on

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51 “1 Sticking with current policies; 2 Focusing on the single market and removing barriers to trade; 3 Allowing EU countries to integrate at different levels; 4 Selecting a limited number of areas for further integration but do less in other policy fields; 5 Integrating more across most policy areas”
the policies and it does not mean only centralised the decision making power to a supranational organization. In fact, the identity and the culture of each state has to be protected if the goal is to create a federal union. So, the aim is to understand how to change the role of the Council keeping it able to represent state interest but deleting the intergovernmental process. Obviously, it is impossible to do that without changing the legislative procedure and so the Lisbon Treaty. Now, I am going to explain how the treaty and the institutions could change.

In order to enlarge the legislative power it could be sufficient to give to the Parliament an amount of budget truly able to make it independent from the will of the states. These amount of money could be furnished by the common fiscal system I have already described. Furthermore, a Parliament with an independent budget could improve its focus on a common welfare and it could fix the European nonsense of a representation without a taxation. At the same time, the European Council of Minister should become a legislative institution able to represent the state interests. A model like that could give to the Europeans the opportunity to have a double check of the legislative institutions in order to represent two different levels of interests: the citizens and the state ones.

If an empowerment of the Parliament looks theoretically easy, and it is not absolutely true, changing the way by which the executive power is managed is much more difficult. Following the institutional architecture made by Fabbrini (Fabbrini, 2017), the European executive system could be a dual one made by Commision and European Council. The president of the Commission will continue to be elected by the parliament following the *spitzenkandidaten* logic, meanwhile the president of the Council need to be voted by European citizens because its role has to become the president of the federal union (Fabbrini, 2017). Fabbrini describes how the electoral process should be made. The European Council selects a short list of candidates that will be voted following the degressive proportionality criteria. Each state has a number of electoral votes equal to the number of the posts that it has in the Parliament. Using that method there is no connection between the president of the federal union and the parliament and it is a good way to preserve and make the check and balance process efficient. Furthermore, a president democratically elected by these citizens has a lot of influence more than the one that the president of the European Council currently has. In fact, nowadays the president is elected by the first ministers of each state and so his or her political fortune depends on the satisfaction of the goals that his/her electors have pointed

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52Lisbon Treaty, article 15.5: “The European Council shall elect its President, by a qualified majority, for a term of two and a half years, renewable once. In the event of an impediment or serious misconduct, the European Council can end the President’s term of office in accordance with the same procedure”.  

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out. Thus, the president of the federal union could be the political leader of the EU and it has to be linked with an implementation of its powers. At the same time the European Commission could continue to have its technical role and its president will be the technical leader. The way by which these presidents have to share their jurisdiction must be defined by treaty. Following this idea, the logical conclusion is that the Lisbon Treaty needs to be completed reformed.

So, the model that Fabbrini imagines is made by two legislative institutions and an executive power that is split between the President of European Commission and the President of the federal union. Furthermore the European Court of Justice could continue to regulate conflicts between states, private the companies as it already does.

In the last paragraph I will analyze which could be the consequences on the EU system if this new model of governance could become the official one.

4.3 Beyond the governance

Once the governance model setting is completed, the last step is the attempt to comprehend the consequences that there could be on the society. The institutional architecture made by Fabbrini has the quality to be built on the features of the European society and could represent an efficient solution to fix its cleavages without revolutionizing the current political balance. Anyway, it does not mean that in order to make these changes work efficiently anything in the system has to change.

First of all, the new governance needs to be supported by a harmonization of the state political parties on the European issue. It involves that within each state a debate shall be created on which parties support an implemented integration and which do not. Following the US model, this kind of governance needs that the parties would become able to support the moving of power to the federal union or the decentralisation of power as the democratic parties and the republican one do. Anyway, within a lot of countries there is a proportional and multiparty system and so the citizens of their countries are not accustomed to choose between only two parties as the Americans do. The most

53 Lisbon Treaty, article 15.6: “The President of the European Council: (a) shall chair it and drive forward its work; (b) shall ensure the preparation and continuity of the work of the European Council in cooperation with the President of the Commission, and on the basis of the work of the General Affairs Council; (c) shall endeavour to facilitate cohesion and consensus within the European Council; (d) shall present a report to the European Parliament after each of the meetings of the European Council. The President of the European Council shall, at his level and in that capacity, ensure the external representation of the Union on issues concerning its common foreign and security policy, without prejudice to the powers of the High Representative of the Union for Foreign Affairs and Security Policy. The President of the European Council shall not hold a national office.”
efficient way in order to fix this issue could be favouring a harmonized electoral law able to create a two party system in all these countries. In any case, it looks like something that could not happen without revolutionizing political and social habits of the European citizens. So, it may be possible to reduce the number of parties on the European Parliament level and then give the opportunity to the state parties to choose between the pro-decentralisation party and the pro-centralisation one. However, there are no evidences that a governance system as the one I have described before could not be effective even with a multiparty system on the federal centre level and on the state one.

Concerning the issue of what could happen to the single state identity, the federal union building process has the quality to preserve it because it is able to maintain the direct link between the citizens, their culture and its politicians. The best example of that is the different kind of law present within the federated state in the US, even on an ethical issue as the capital punishment has been. Moreover, the new role that the politicians could have in the institutions as the European Council of the Ministers and the European Council, does not change the role the politicians have in their own countries. In fact, even with the current governance model the states have the obligation to follow the EU directives. So, the value of the new governance will be able to make more efficient and faster something that already happens.

Furthermore, the role of the common taxation should not be a EU citizens cultural shock. In fact, by splitting the payment of the taxes between local, state and centre levels, the citizens could check which institution has the own to provide a specific service. It means that every European could have the opportunity to judge what kind of political class makes its job better. Walking this way, the European institutions could stop being the scapegoat of the local and state politician and so the citizen could have the opportunity to be part of the check and balances system. In fact, each institution at all the levels has a reduced jurisdiction and so it becomes easier for the citizen understand which political class is able to manage better the territory. Being able to check in which way the EU works could put more in contact the citizens to the European institutions and it could accelerate the cultural and political integration more than it has been happening so far.

Summarising, the common fiscal system could be one of the most effective tool to support the EU integration. In fact, only with an independent economic power the EU institutions will have the opportunity to make their policies efficient and without the evidence that the EU is able to manage better than the state specific core powers, it could be impossible to propose a change of governance.
Conclusions

The first aim of the thesis was to demonstrate the role that the common fiscal system could have in a federal union building process. It has a top-down and a bottom-up effects.

Concerning the top-down process, the institution of a common fiscal system could be an efficient first step to accelerate the federal union building process and the reform of the governance as well. In fact, a federal taxation could give to the EU institutions the power to make their policies more efficient and to check their execution better. So, the EU institutions empowerment could be easier by creating consensus on a governance reform able to give full power to these institutions. Walking this way, a change of the governance influences the life of the citizens putting them in contact with a kind of policy they are able to judge everyday. Furthermore, a common fiscal system could create a bottom up process as well. In fact, paying the taxes to the EU institution the citizens will become interested in checking their work and it could mean an implementation of the citizens participation in the public life. A better knowledge of what the EU institutions already do and what they could do with a reform of the governance, could make more pro-european the voting intentions of the citizens. Thus, it could create a political class interested in improving the European integration in order to win the state election and it could create the political convergence that the EU need to start a reform of the treaties based on the federal union process. These processes need to be complementary. In fact, the Brexit shows such as even the most efficient top-down process could be deleted if the citizens do not feel themselves as a part of the system and are not able to feel the utility of the EU integration.

During the whole thesis I have argued that it is possible to consider the US as the model to follow in order to realize a European common fiscal system. Anyway, The US and the EU features I have compared during the thesis could not become more similar because of the different cleavages that these compound democracies have. However, it could be important to understand that the EU model does not need to become similar to the US in the institutional architecture but in the effectiveness of its policies. At any case, it could be impossible to empower the EU institutions more than following the horizontal and vertical division of power that the US are using. In fact, it could be dubious that
the European states decide to implement the part of their GDP they give to the EU without a constitutional treaty that makes it convenient and mandatory. So, a common fiscal system is the reply to the inadequate European ability to make its policies efficient for everyone and it could be a smart tool to demonstrate to the people who thinks the policy making has to remain at the state level that sharing the jurisdiction on the policies is an opportunity and not a limit. Furthermore, the idea to split the EU between a group of states with the same governance and a larger group of states which act in a common market does not mean that in the future the states which are interested in the EU only for its economic side would not enter in the political side of the EU. However, considering the goals that the EU has announced at the starting of the millenium, becoming a federal union could be the most efficient and fast way to try to reach a goal that looks far to be achieved on 2020 and that has not been reached on 2010. Moreover, it could be difficult to reach the 2020 planned goal to achieve an inclusive and smart growth without the right tools to reduce the regional deviation.

Anyway, there are not EU Commission’s official drafts concerning the next MFF able to let think about what the focus of the next European negotiation will be. What we could know is that the new proposal of the European Commission on the next EU seven year term budget involves an implementation of the GDP percent that every state has to pay annually. Unfortunately, it is not the evidence of a step forward in the willingness to build a more efficient budget. In fact, the increase from 1% to 1,24% of the GDP that each state has to pay to the EU is linked with the need to cover the Brexit’s cost. Anyway, this proposal could contribute to create the consciousness of the need to implement the EU budget so it should not be read as a failure. Furthermore, the Commission proposal links the opportunity to use the fund with the respect of the EU directives and it is a real step forward for the EU institutions empowerment. However, the distance between the EU budget and the US one still be huge. So, once again the EU shows that the institutions have comprehended the social need of the European citizens but the current intergovernmental decision making process does not let them use the right tools to help the European citizens. In this scenario, the chance to debate on the way by which a common fiscal system could be built still looks like distant from the political priorities. Anyway, in the next years the academic community may be able to sensitise the political class on these issues. The hope is that in the future the EU will be ready to become the

54Lisbon European Council (2000): “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”

55 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: A Modern Budget for a Union that Protects, Empowers and Defends The Multianual Financial Framework for 2021-2027
federal union its citizens have waited for too much time. The common fiscal system could be a right tool to make it real.

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Riassunto tesi

Questa tesi nasce dalla volontà di investigare quali sono le caratteristiche dell’attuale Unione Europea che, se modificate, potrebbero portare non solo ad una maggiore integrazione tra gli stati membri ma anche alla formazione di una vera e propria unione federale. Seguendo le categorie di Sartori, ho ritenuto ragionevole condurre la ricerca utilizzando la comparazione di oggetti tra di loro più simili. Questo approccio mi ha permesso quindi di scartare tutti i federalismi formatisi dalla divisione di uno stato unitario preesistente (Germania, Belgio ecc…) e anche quelle unioni federali che, come la Svizzera, non hanno le caratteristiche istituzionali e territoriali per poter essere comparate con l’Unione Europea. Il paragone con gli Stati Uniti è quindi quello che mi è sembrato più adatto non solo per quanto riguarda le sue caratteristiche ma anche per la sfida che esso poneva: capire quali fossero gli strumenti del sistema americano esportabili nel sistema europeo, rispettandone cleavages, cultura ed equilibri politici.

Spesso quando si parla di unioni federali si mette l’accento sul fatto che l’unione derivi dalla necessità di stati confinanti di creare un contesto pacifico e più stabile rispetto a quello che l’equilibrio di potenza riusciva a indurre. Fabbrini scrive che le unioni federali nascono dalla necessità della pace e non dall’amore reciproco ed il caso europeo, così come quello statunitense confermano la correttezza della sua analisi. Ora che la pace tra Germania e Francia non sembra più poter essere messa in discussione, la spinta ad una maggiore integrazione viene data dalla necessità economica. Le passate generazioni hanno avuto il merito di portare in Europa ricchezza e sviluppo abbondanti, pensando che il metodo ordoliberale fosse sufficiente per creare una integrazione che partendo dal mercato unico sfociasse nella politica. La riprova che questo non sia avvenuto è data dal cambiamento di metodo utilizzato nel post Lisbona. Da lì in poi infatti il tentativo è stato sempre più quello di stimolare e facilitare la coesione tra stati membri e regioni in quanto aver abbattuto le barriere di mercato non aveva portato alla necessaria integrazione. Se diviene quindi ragionevole pensare che il rinascimento europeo non possa che partire da una maggiore integrazione politico-economica tra gli stati membri, l’attuale preponderanza delle logiche intergovernative all’interno del procedimento decisionale e legislativo europeo diventa la variabile su cui lavorare per cambiare e migliorare il sistema di governance.
Il secondo, il terzo ed il quarto capitolo della tesi sono stati quindi dedicati alla comprensione di quali strumenti istituzionali e legislativi l’Europa si debba dotare e soprattutto su quali stati bisogna puntare per avere una unione politica più integrata.

L’analisi del contesto europeo mi ha portato ad argomentare che l’unico modo per contrastare l’intergovernamentalismo sia dotare le istituzioni europee di una autonomia economica e finanziaria. Se è vero che la maggiore integrazione dipende dalla capacità delle istituzioni europee di agire più liberamente, una tassazione unica europea potrebbe essere lo strumento necessario per raggiungere entrambi gli obiettivi. Per poter dimostrare la validità di questa argomentazione non potevo quindi prescindere dal confrontare il sistema fiscale statunitense con quello europeo. Mentre gli stati uniti, infatti, dotano il loro centro federale di risorse eque per poter attuare delle politiche pubbliche valide per tutta l’ Unione, le risorse a disposizione dell’ Unione Europea sono estremamente inferiori e derivano per la maggior parte dalla donazione dell’1% del PIL di ogni stato membro. La differenza in termini di percentuale di PIL da uno stato federato americano e da uno stato membro europeo è così alta da rendere i due budget incomparabili. Questa è la ragione per cui esportare dal modello statunitense l’idea di dividere la tassazione in locale, statale e federale, collegando il gettito fiscale ad una serie diversificata di competenze e poteri, potrebbe non solo rendere più efficienti le politiche europee, semplificando l’accesso ai progetti da parte dei cittadini, la fruizione delle politiche sociali e ridando lustro alle istituzioni europee, ma anche ricucire quel rapporto tra cittadino europeo e istituzioni che a oggi viene costantemente logorato dalle invettive dei politicanti populisti, sovranisti ed euroscettici di tutto il continente.

Una volta immaginato in che modo raccogliere le tasse, non si può non prendere in considerazione l’idea che anche il modo in cui questi soldi vengano spesi debba subire una modifica. Il passo successivo è stato quindi confrontare il modo in cui queste due “compound democracies” strutturino e utilizzino il loro budget. La progettazione settennale europea è infatti un efficace strumento di allocazione dei fondi solo a livello teorico. Spesso infatti la difficoltà di svolgere l’iter che serve a poter usufruire dei fondi e l’impossibilità dei piccoli comuni di poter far partire i lavori strutturali, che il programma europeo dovrebbe coprire, per l’assenza o la scarsa rilevanza del cofinanziamento nazionale ai progetti, rendono poco rilevante l’impatto delle politiche europee (o la percezione di esso). Un budget federale, strutturato sul modello statunitense comporterebbe invece non solo una migliore distribuzione dei fondi ma anche un maggior utilizzo degli stessi, evitando così di bloccare inutilmente i fondi inutilizzati da una regione durante il settennato di programmazione. La possibilità di spostare fondi da una regione all’altra nel caso in cui per troppo
tempo le istituzioni locali non si attivino per finanziare i progetti, comporterebbe infatti una
competizione positiva tra gli stati membri i quali concorrerebbero per essere sempre più veloci ed
efficienti in modo da accedere a più fondi possibili. Il necessario coordinamento tra regione, stato
federato e unione federale potrebbe inoltre portare alla soppressione della logica del finanziamento
indiretto, reo dei difetti sopra elencati e di strumenti quali addizionalità o cofinanziamento che
diverrebbero obsoleti nel caso in cui fosse il centro federale a investire direttamente nelle aree da lui
selezionate. Ovviamente però, questo non implica che con le addizionalità e il cofinanziamento
debba essere eliminata anche la logica della leale collaborazione e della armonizzazione delle
politiche, che anzi, entrando in un’ottica di unione federale e non della volontaria partecipazione ad
un’organizzazione sovranazionale, dovrebbe essere facilitata.
Per supportare con esempi concreti la maggiore efficacia del modello USA rispetto a quello europeo
ho inoltre analizzato due casi specifici: il diverso utilizzo del debito pubblico e la mobilità sociale.
Ho scelto queste due tematiche perchè ritengo siano un buon esempio di quanto la logica
intergovernativa abbia complicato il processo decisionale al punto da rendere impossibile
raggiungere alcuni tra gli obiettivi principali che l’Unione Europea si era posta.
Per quanto riguarda il debito pubblico, la differenza con gli Stati Uniti è eclatante. Da una parte la
valutazione delle agenzie di rating si basa solo sul debito del centro federale, permettendo ad ogni
stato federato di indebitarsi quanto vuole per finanziare le proprie politiche e al tempo stesso
facendo sì che i titoli di stato USA siano ritenuti comunque affidabili (in quanto lo stato centrale
non è in teoria tenuto a salvare lo stato federato dal default) e quindi venduti con un basso tasso di
interesse. L’Unione Europea ha invece regolato in modo estremamente più stringente il tema, e
l’introduzione del limite del 3% tra debito pubblico e PIL prima nelle costituzioni degli stati
membri e poi del fiscal compact stesso all’interno dei trattati europei, conferma la diversa visione
del debito pubblico da parte delle due sponde dell’atlantico. Ad ogni modo, la maggiore
integrazione bancaria in Europa di questi anni porterà sicuramente alla formazione di un mercato
finanziario meno soggetto ai potenziali pericoli della finanza globalizzata e di ciò ne beneficeranno
i cittadini. E’ però evidente quanto la risposta delle istituzioni europee sia stata più lenta e meno
efficace rispetto a quella statunitense, ed individuare la causa di ciò nella manca di poteri da parte
della BCE sembra essere un assunto ormai assodato dalla comunità accademica. Non ci è dato
sapere quanta crescita avremmo avuto in più in Europa con una BCE pienamente in grado di
affrontare la crisi, ma è sotto gli occhi di tutti che mentre l’Eurozona fatica a ritrovare diffuse
percentuali di crescita rilevanti, gli USA continuano a crescere ed investire in ricerca più di quanto
l’Europa riesca a fare e la possibilità che questa differenza di performance sia dovuto anche agli strumenti con la quale le politiche vengono applicate è tutto meno che irrilevante.

La seconda riflessione è invece legata al tema della mobilità interstatale, conseguenza promessa dalla formazione del mercato unico e che ancora tarda a manifestarsi. Ho quindi cercato di analizzare in che modo la presenza di una tassazione come quella americana possa influire sulle percentuali di mobilità interstatale dei suoi cittadini. Il punto di partenza era infatti il dato statistico di una maggioranza schiacciante dei cittadini statunitensi che hanno vissuto o lavorato in stati federati diversi dal proprio, rispetto agli europei. Di fatto, la possibilità di scegliere lo stato federato nel quale la tassazione è più adatta alle proprie esigenze è un qualcosa che facilita enormemente la mobilità dei lavoratori. Inoltre, giocare a ribasso nell’imporre una determinata pressione fiscale, sarebbe considerata una mossa politica e non anche una azione sleale nei confronti degli altri stati a forte rischio di essere messa sotto l’occhio vigile della Commissione Europea. Un’ottica del genere permette quindi di comprendere perché sia più facile per un cittadino statunitense spostarsi e lavorare di stato in stato alla ricerca del luogo in cui meglio esprimere la propria possibilità di autodeterminarsi. Questo non significa che se l’Unione Europea diventasse una unione federale si passerebbe nel giro di pochi anni dall’attuale 3% di mobilità europeo al 40% statunitense, ma sicuramente un modello europeo unificato più flessibile dal punto di vista della tassazione e delle certificazioni, porterebbe a far diventare meno impari il confronto tra le statistiche dei due continenti.

Una volta accettato l’assunto che la creazione di una unione federale comporterebbe degli evidenti vantaggi a livello organizzativo, economico e sociale per l’UE, bisogna strutturare un modello di governance in grado di gestire queste nuove prerogative in modo più efficace rispetto al sistema attuale. Sarebbe infatti un controsenso pensare ad una maggiore armonizzazione del sistema fiscale, guardando verso l’obiettivo della creazione di un sistema unico, senza che le istituzioni europee abbiano la possibilità di utilizzare in modo adeguato le tasse dei cittadini. Ed è per questo che la creazione del suddetto sistema fiscale dovrebbe andare di pari passo con una riforma dei trattati. Riforma che non servirebbe solo a modificare il procedimento legislativo e a creare un nuovo processo di check and balance in linea con le nuove responsabilità europee, ma soprattutto a delineare quante e quali competenze il centro federale dovrebbe avere e come regolare l’eventuale ingerenza dello stato federato o del centro federale nell’area di giurisdizione dell’altro. Se
quest’ultima problematica potrebbe essere efficacemente risolta dalla corte di giustizia europea senza doverne stravolgere né la composizione né i poteri, strutturare un nuovo modello di governance risulta essere più complicato. Nella tesi ho sostenuto la bontà del modello pensato da Fabbrini, in quanto riesce a risolvere una delle maggiori cause di rallentamento dell’integrazione europea: l’intergovernamentalismo. Il prodromo di questa nuova governance infatti sarebbe la selezione di un gruppo di stati disposti a rinunciare a parte dei loro core powers per ottenere i benefici di una maggiore integrazione politica. Scartare i paesi interessati solo al lato economico dell’Unione Europea, senza che questo abbia ripercussioni sulla loro partecipazione attiva al processo decisionale per quanto riguarda il mercato unico e l’eurozona, comporterebbe infatti una positiva semplificazione e velocizzazione del processo di integrazione. Una volta selezionati i paesi legati da una piattaforma valoriale e culturale comune, il primo passo sarebbe quello di riformare il ruolo del presidente del Consiglio europeo. Questa carica infatti, votata a suffragio universale dai cittadini europei e selezionata all’interno di una short list proposta dal Consiglio europeo, verrebbe caricata di un peso politico e di una legittimazione popolare distante anni luce da quello che ad oggi il presidente del consiglio europeo rappresenta. In questo modo l’esecutivo diventerebbe duale e troverebbe un equilibrio nella collaborazione tra presidente del consiglio, rappresentante politico dei cittadini europei e il presidente della commissione, rappresentante del lato tecnico e amministrativo dell’unione federale. Il legislativo sarebbe invece formato dal parlamento europeo e dal consiglio dei ministri europeo, i cui incontri verrebbero istituzionalizzati con una frequenza decisamente maggiore rispetto ad oggi. Il modello rispeccherebbe così la somma degli interessi dei cittadini nel loro insieme, chiamati a votare per il parlamento europeo e per il presidente del consiglio, e l’interesse dei cittadini di ogni singolo stato i quali, eleggendo il proprio parlamento e in modo indiretto i propri governi nazionali, vedrebbero i ministri del singolo paese partecipare alla fase legislativa all’interno del consiglio dei ministri europeo e i propri premier alla fase governativa in quanto membri del consiglio europeo. Aggiungendo a questo modello di governance una capacità di spesa autonoma derivante dalla tassazione unica, l’Unione Europea avrebbe tutte le caratteristiche necessarie per divenire una unione federale. Per fare in modo che tutto questo sia possibile, bisognerebbe però armonizzare non solo le costituzioni dei paesi selezionati come possibili stati federati, ma anche fare in modo che i partiti politici all’interno di ogni paese abbiano modo di creare una contrapposizione maggioranza\ opposizione sul cleavage fondamentale delle unioni federali ovvero quante competenze e tasse sia giusto spostare dagli stati federati al centro federale e viceversa. Una volta creato il nesso tra cittadino e istituzioni attraverso lo scambio tassazione\diritti
politici, sarebbe infatti un assurdo logico non coordinare la politica locale con quella europea. Per far sì che questo accada potrebbe essere necessario armonizzare le leggi elettorali degli stati membri su un modello bipartitico maggioritario. Nel caso in cui ciò si rivelasse irrealizzabile o problematico sarebbe comunque possibile fare in modo che anche all’interno di un sistema proporzionale si vada a creare una logica dialettica tra maggioranza e opposizione in cui, sia le istituzioni europee che i cittadini, possano individuare quali partiti propendano per una decentralizzazione dei poteri e quali per una centralizzazione. In questo modo il modello dovrebbe essere stabile sia dal punto di vista economico che della legittimazione democratica e potrebbe contribuire ad una razionalizzazione dei processi decisionali europei tale da garantire all’Europa il raggiungimento degli obiettivi costitutivi economici e politici che si è proposta nel momento della sua formazione.