

Debate 6: "Can France breathe new life into Europe?"

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Europe (or the Euro zone, as these issues are intertwined), is currently mainly suffering from:

1. The lack of "risk sharing" and solidarity mechanism between the member countries that could reduce cyclical and, above all, structural heterogeneities. Such mechanism could be public (a Euro zone budget) or private (financial portfolio diversification between Euro zone countries, which would require significant capital mobility between these countries, a mobility that has disappeared since 2010);
2. The lack of coordination of policies that generate externalities on other countries (the policy conducted in one country has an impact on other countries' well-being). This concerns a wide variety of policies: tax policies (there is no coordination of taxes that have an impact on the location of business activities), welfare and labour market policies (and yet there have been discussions on the pooling of unemployment benefit schemes and common rules for setting minimum wages), immigration policies (so the burden of immigration and refugees is not carried by only a small number of countries, and to define a level of immigration to Europe that corresponds to the needs);
3. The fact that the single market is not being used to build large-scale European companies in the industries of the future with increasing returns to scale (internet services and platforms, equipment for renewable energies, electric batteries);
4. The lack of reaction to labour market polarisation: intermediate jobs, especially in manufacturing industry, are disappearing to the benefit of (a few) sophisticated jobs in new technologies and management and (many) unsophisticated and low-paid jobs in services (personal services, transport, retailing, leisure). This development is increasing inequality while confining the children of low-skilled employees to low-skilled jobs;
5. The lack of discussion on how fiscal policy could be shaped in an environment of persistently low interest rates;
6. Europe's lack of power in the global context, given the lack of European armed forces; the lack of a currency that could become a major international reserve currency (the euro is negatively affected by the fragmentation of financial markets between the Euro zone countries) and facilitate the internationalisation of European law in regard to the United States and China; the absence of a European energy policy.

To address these challenges, France can undoubtedly play an important role in making proposals, such as:

- Starting to build a Euro zone budget;
- Restoring international capital mobility between Euro zone countries, which requires renewed confidence in the soundness of budgets and solid banks;
- Coordinating, between European countries, everything that generates an externality between countries: tax, social and immigration policies;
- Building large European groups in the areas where this is necessary (access to the global market, strategic industries with increasing returns), not forgetting that if these groups have monopoly positions in the European market they will also have monopoly rents that will have to be regulated. Such a development could combat deindustrialisation and labour market polarisation;

- Considering useful public spending (education, support to forward-looking sectors, etc.) made possible by the situation of low interest rates;
- Creating a Euro zone debt, which is the only way the euro could become a major reserve currency;
- Implementing a European energy policy (common CO₂ price, common negotiations with Russia, OPEC, etc.).

The Northern countries and German conservatives are unfortunately rejecting many measures on this list, so it is very unlikely that they will be adopted.

Will we have to accept a Europe without solidarity, and therefore with increasing income level heterogeneity; without policy coordination, and therefore with tax and social competition, with different immigration policies, without industrial capacity in the industries of the future, with segmented capital markets and without industrial weight?