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A Modest Proposal for Resolving the Eurozone Crisis

This paper presents three simple policies for overcoming the crisis that can be implemented immediately and require none of the moves such as national guarantees or fiscal transfers to which many Europeans are opposed, nor moves towards federation that entail Treaty changes, which electorates are most likely to reject. The logic behind these policy proposals is juxtaposed with the false dilemmas that currently impede clear thinking and immobilise Europe's policymakers.

Caught up in a crisis of its own making, Europe is fragmenting. A euro in a Greek bank has a lower expected value than a euro in a Spanish bank, which, in turn, trails the value of a euro in a German bank account. There can be no better sign of the common currency's disintegration than this.

And it is not just a matter for the eurozone. The fallout from a eurozone disintegration will be so severe, and the rise of nationalism so cataclysmic, that it is pure wishful thinking to believe that the European Union can be preserved, except perhaps in name, if the euro system succumbs to the centrifugal forces it is now experiencing.

Following a sequence of errors, delays and shenanigans, Europe's leadership has stunned the world with its failure to take joint action. Most commentators lament the incapacity of Europe's political and bureaucratic elites to act speedily and in a coordinated fashion. While there is truth in this, the recent double-edged ECB intervention vis-à-vis Europe's banks[1] shows that Europe can act decisively. The problem, however, is that, so far, its political leadership has pursued policies which it justifies on the basis of (a) a poor diagnosis of the nature of the crisis and (b) two false dilemmas.

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The Nature of the Eurozone Crisis

The eurozone crisis is unfolding on three interrelated terrains.

Banking crisis: Sparked by events across the Atlantic and the English Channel, the problem with the eurozone's banking crisis was never properly addressed. The reason was the terribly odd arrangement whereby governments which lack the backing of a national central bank maintain national control over global banks within a transnational currency union. At a time when forced recapitalisation of essentially insolvent banks is of the utmost importance, we end up with the unwholesome sight of fiscally stressed member states (e.g. Spain) borrowing massively on behalf of their insolvent banks. And because this new public debt stresses their fiscal position further, they are abandoned by private creditors and have to rely on ECB liquidity that comes to them (to the states) via the very banks that the states are trying to save! It is abundantly clear that this madness cannot continue. For this purpose, our Modest Proposal suggests a very elegant, simple, instantly workable solution – see Policy 1 below.

Sovereign debt crisis: Again as a result of a design flaw, the sudden and catastrophic loss of liquidity that came to be known as the credit crunch of 2008 inevitably violated the eurozone's most cherished principle (perfectly separable public debts) via a "popcorn effect" that drove three sovereigns into effective insolvency before putting at least two large member states in bankrupt-

1 Taking a large slice of Greek debt from them and then immediately compensating them with new EFSF capital and a trillion euros worth of LTRO liquidity.

cy's antechamber. Suddenly, reality bit back, reminding us that even though a common currency shields us from runs on individual currencies, our perfectly separable debts were bound to lead to a sequential run on member state bonds once panic set in the money markets following the financial sector's implosion and the rating agencies realised that member states would not act jointly to address the crisis. While some of Europe's leadership now recognises this, and while François Hollande was elected on the basis of countering austerity with growth, there is an understandable reluctance in the surplus nations (mainly Germany) to become liable for the debts of the heavily indebted deficit nations. This gives rise to a certain paralysis. However, the problems caused by separate public debts can be addressed without asking the surplus nations either to guarantee the loans of or lend to the deficit nations. For this purpose, our Modest Proposal puts forward another simple and elegant solution, one that violates neither the EU treaties nor the charter of the ECB – see Policy 2 below.

Underinvestment and imbalances crisis: In addition to the banking and sovereign debt crises, Europe is facing (i) a dearth of aggregate investment (which threatens its long-term international competitiveness) and, perhaps more significantly, (ii) an intra-eurozone balance of payments crisis. The two are intimately linked. As the various regions within the eurozone grew apart (in terms of competitiveness, investment, unit labour costs) during the period that led to the crash of 2008, a well-hidden (courtesy of open borders and a common currency) imbalance ensured that, when the global crisis hit in 2008, the eurozone risked disintegration. Following the massive loss of liquidity everywhere, the burden of adjustment fell on the regions with lower competitiveness and greater deficits, with swingeing cuts and painful austerity. Coupled with the impossibility of devaluations by these member states and the lack of new aggregate demand that would pull the deficit regions[2] out of the mire, the scene was set for a flight of capital and negative investment in the regions that needed it the most.

Thus, Europe ended up with (a) low aggregate investment and (b) an even more uneven distribution of that investment among its surplus and deficit regions. To counter both problems at once, the Modest Proposal recommends that three of Europe's existing institutions collaborate in order to stimulate investment in the regions of Europe in a manner that requires no tax-and-spend policies but which succeeds in mobilising idle savings and transforming them into profitable investments – see Policy 3 below.

2 For example, something akin to US consumer demand growth that, in the mid-1990s, allowed Canada to complete its austere fiscal adjustment programme with reasonable success.

Three Political Constraints Taken for Granted by the Modest Proposal

Designing the solution concept for the current euro crisis resembles a constrained optimisation problem. Firstly, we must state the objective: to arrest the crisis simultaneously in the three aforementioned terrains where it is currently progressing unimpeded.

Secondly, we need a realistic catalogue of the constraints under which Europe must find a solution. It is our view that the three constraints Europe is facing presently are as follows:

(a) The ECB will not be allowed to monetise sovereigns directly (i.e. no ECB guarantees of debt issues by member states, no ECB purchases of government bonds in the primary market, no ECB leveraging of the EFSF/ESM in order to buy sovereign debt either from the primary or the secondary markets);

(b) Surplus countries will not consent to the issue of jointly and severally guaranteed eurobonds, and deficit countries will not consent to the loss of sovereignty that will be demanded of them without a properly functioning federal Europe;

(c) Crisis resolution cannot wait for federation (e.g. the creation of a proper European treasury with the powers to tax, spend and borrow), and treaty changes cannot, and will not, precede the resolution of the crisis.

The question is: does a policy mix exist such that it achieves the stated objective without violating any of the three constraints above? We believe that the answer is affirmative. The three policies that respect these constraints are presented below.

The Modest Proposal – Three Crises, Three Policies

To respect constraint (c), the Modest Proposal introduces no new EU institutions and violates the letter of no existing treaty, for that would involve new treaties whose conception, approval and activation would take too long to resolve the crisis. In short, we propose that existing institutions are utilised in ways that remain within the letter of European legislation but allow for new functions and policies. These institutions are:

- the European Central Bank – ECB
- the European Investment Bank – EIB
- the European Investment Fund – EIF
- the European Financial Stability Facility and the European Stability Mechanism – EFSF/ESM
- the European Banking Authority – EBA.

Policy 1 – Dealing with the Banking Crisis by Means of Creating a Single Banking Area

The eurozone must be turned into a single banking area with a single authority that supervises directly and recapitalises the area's banks. To this purpose, existing national boundaries are to be dismantled, together with national supervisory authorities. The currently confederate EBA is to be reconfigured as a unitary agency with a board comprising officials drawn from member states, plus representatives from the ECB and the EFSF/ESM.

With the EFSF/ESM now relieved of its task to fund the public debt of insolvent member states, the largest share of its capital is to be used for the purposes of direct bank recapitalisations. These capital injections shall flow directly from the EFSF/ESM, under the supervision of the EBA and the ECB, to the banks – without mediation from the national governments and without these capital injections counting as part of national debt. In exchange, equity in the recapitalised banks is passed on to the EFSF/ESM, which will then resell it to the private sector when the EBA and ECB judge that banks have been sufficiently recapitalised.

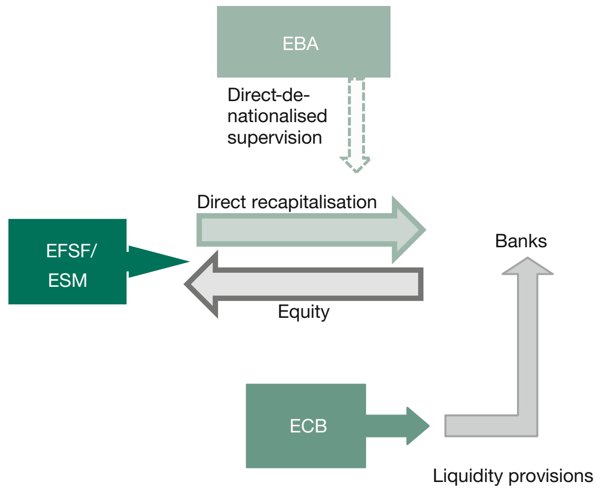
In summary (see Figure 1), banking supervision is Europeanised, the nexus between national (sovereign) debt and banking losses is broken, the "cosy" (and often problematic) relationship between national politicians and "national" bankers is interrupted, and in this manner recapitalisation can proceed effectively at the European level.

Participating institutions: EBA, ECB and EFSF/ESM.

Policy 2 – Dealing with the Sovereign Debt Crisis by Means of an ECB-EFSM/ESM-Mediated Conversion of Member States' Maastricht-Compliant Debt

The Maastricht Treaty and the Stability and Growth Pact permit each member state to run up sovereign debt up to 60% of GDP. Since the crisis of 2008, most

Figure 1
EFSF/ESM-EBA-ECB-Mediated Single Banking Area



eurozone member states have exceeded this limit. We propose that the ECB offer member states the opportunity of a debt conversion for their Maastricht-compliant debt (MCD), but that the national shares of the converted debt would continue to be serviced by member states.

The ECB, faithful to the non-monetisation constraint (a) above, does not seek to buy or guarantee sovereign MCD through monetisation (direct or indirect). Instead, it acts as a go-between, mediating between international and European investors on the one hand and member states on the other. In effect, the ECB orchestrates a conversion servicing loan for the MCD and for the purposes of servicing their bonds upon maturity.[3]

The conversion servicing loan works as follows: governments that wish to participate in the scheme can do so on the basis of enhanced cooperation, which needs at least nine member states but also means that those not opting for it can keep their own bonds even for their MCD. Refinancing of the national share of the debt, now held in ECB bonds, would be by member states but at interest rates determined by the ECB. The shares of national debt converted to ECB bonds are to be held by the ECB in debt accounts for the member states concerned. These cannot be used as collateral for credit or derivatives creation.[4] Member states undertake to redeem bonds in full when redemption is due if the

3 For example, for a member state whose debt-to-GDP ratio is 90% of GDP, the ratio of its debt that qualifies as MCD is 2/3. Thus, when a bond matures with face value, say, €1 billion, two-thirds of this (€666 million) will be paid (redeemed) by the ECB.

4 Any more than a personal debit card can be used for credit.

Figure 2
ECB-Mediated Conversion of Participating Member States' Maastricht-Compliant Debt (MCD)

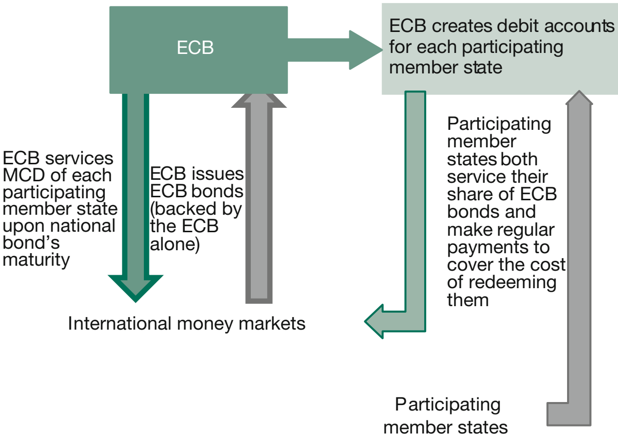
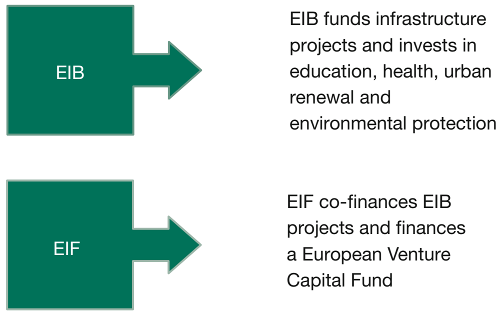


Figure 3
Investment-Led Recovery, Cohesion and Rebalancing Programme



holders opt for this rather than to extend them at lower, more secure rates offered by the ECB.

To safeguard the credibility of this conversion and to provide a backstop (for the ECB bonds) that requires no ECB monetisation,

(i) member states agree to afford their ECB debit accounts super-seniority status, *and*

(ii) the ECB's conversion servicing loan mechanism is insured by the EFSF/ESM. For example, if a member state goes into a disorderly default before an ECB bond issued on its behalf matures, that ECB bond payment is covered by insurance purchased or provided by the EFSF/ESM.

Figure 2 sums up Policy 2.

Participating institutions: ECB and EFSF/ESM.

Policy 3 – An Investment-Led Recovery and Convergence Programme

We propose an Investment-Led Recovery and Cohesion Programme which is fully Europeanised (just like the banking sector and the Maastricht-compliant debt of member states). Its twin tasks: to provide investments that are not backed by the taxpayers of the surplus countries and to tackle the intra-eurozone imbalances through heighted investment in the areas that need it the most. Financed fully by EIB and EIF bonds (along the lines of EIB bond financing, which has a sterling track record), idle savings in Europe and, importantly, worldwide can be shifted into productive investments in the European regions where they will help provide essential public and private goods (which are otherwise undersupplied), rebalance competitiveness and generate the incomes from which the most precarious debts can be repaid. Figure 3 provides a visual summary of the proposed policy.

Participating institutions: EIB and EIF.

Rationale

Other than the presumption of recent austerity policies that growth comes through rigour alone, the outcome of which may be rigor mortis for the eurozone, there has been a disregard for what Europe already can do with its existing institutions and a failure to think in a global context. Thus finance for recovery can be gained by re-

Box 1
ECB Bond Assurance Scheme

1. Participating members agree super-seniority status to their debit accounts.
2. ESM provides insurance to the ECB in case of insufficient payments by members states into their ECB debit accounts.

cycling global surpluses into eurobonds. Such investment would come from the central banks of emerging economies and sovereign wealth funds. These would not be national bonds denominated in euros but EU bonds. European recovery is vital for the BRIC countries to sustain their exports. They also desire a more plural global reserve currency system to be able to reduce their dependence on the dollar.

An example of the disregard for what the EU can do with its existing institutions has been a European Commission proposal for "project bonds" which specifies that these should be guaranteed by member states. This not only assures opposition from many of the states, not least Germany, but also entirely neglects that bonds for project financing have been issued successfully by the EIB on its own account since 1958, without such guarantees. There is no need for new "project bonds".

Additionally, we ought to note that:

- There are increasing calls for bonds to finance infrastructure, as if this had not been happening through the EIB for more than half a century. There is little to no recognition that the remit of the EIB since the Amsterdam Special Action Programme of 1997 has been not only to invest in infrastructure such as transport and communication networks but also to support social investments in health, education, and the urban environment and its regeneration. Nor is it recognised that since the Lisbon European Council in 2000, it has accepted a specific cohesion and convergence remit.[5]

- There is no high profile awareness that EIB investment finance need not count as national debt. None of the major eurozone economies, nor Greece, Portugal or Ireland, categorises it thusly. Nor need any others, since this is a national decision by governments and their central banks rather than a requirement embodied in or needing amendments to the EU treaties.

- Nor need eurobonds count as national debt any more than US Treasury bonds, which do not count towards the debt of California or Delaware. Nor do they need a common fiscal policy or fiscal transfers to service them. They can be serviced by the member states that gain from them for project finance without fiscal transfers between member states.

- Nor need restarting growth through investment projects funded by eurobonds necessarily be long-term. In a trawl of member states in 1994 it was found that projects that already had received planning approval but had been shelved because of the Stability and Growth Pact totalled some 750 billion ECU. Now, after three years of austerity, they are likely to approach or exceed two trillion euros, especially if postponed Trans-European Networks (TENs) projects are taken into account.

- There is a widespread but false presumption that public spending drains the private sector, when it actually sustains it. This presumption reflects the "crowding out" hypothesis without recognising that even for Milton Friedman this is only the case at full employment. Public investment finance "crowds in" private investment, income and employment. Public investment multipliers are also higher than fiscal multipliers – up to three or more rather than only one plus.[6]

- There is a similarly false presumption that one cannot solve the crisis by "piling debt on debt". It depends on which debt, borrowed for what purpose. Piling up national debt at interest rates of up to seven per cent is unsustainable. Funding inflows to the Union through eurobonds is not, especially when the interest rate could be less than two per cent[7] and when this funds investments that generate not only recovery but also direct and indirect tax revenues through growth and higher levels of employment.

Thus debt is only one facet of the crisis. Its inverse is the mountain of European and global savings lacking investment outlets. The task is not to tax and spend within Europe but to mobilise both European savings and global surpluses into social investments which can recover growth but also enhance economic and social cohesion by being directed into the deficit regions that are currently buckling under the unbearable weight of fiscal consolidation.

5 European Investment Bank: Fifty years of sustainable investment, Luxembourg 2008.

6 J. Creel, P. Monperrus-Veroni, F. Saraceno: Has the Golden Rule of public finance made a difference in the United Kingdom?, OFCE Working Papers 2007-13, Paris 2007, Observatoire Français des Conjonctures Économiques; J. Creel, P. Hubert, F. Saraceno: Should the Stability and Growth Pact be strengthened?, OFCE blog, 29 February 2012, Paris, Observatoire Français des Conjonctures Économiques.

7 Bloomberg indicated that US financial institutions could invest in eurobonds at 1.9 per cent. The central banks of the emerging economies could do so at less than 1.9 per cent since their main concern is not a rate of return but a more secure store of value for their surpluses than the dollar.

The European Investment Bank

Since gaining its social investment terms of reference from the European Council in 1997, the EIB quadrupled its annual lending to over €80 billion. However, despite the EIB's more than half century of success, there are also questions as to whether it can replicate this again without parallel support.

The EIB is highly dependent on investments in its bonds from pension funds which are statutorily obliged to invest only in AAA-rated finance. It also has had a house rule, rather than a treaty obligation, to seek co-finance for its investments either from national governments or national partners, both of which have been compromised by reactions to the eurozone crisis since 2009. Eurobonds issued by the EIF can offset this.

Eurobonds by Enhanced Cooperation

One of the main recommendations by one of this paper's authors to Jacques Delors in 1993 was that Europe should establish a European Investment Fund to countervail the deflationary effects of the debt and deficit conditions of the Maastricht Treaty. The proposal was derailed in 1994, both because of vehement resistance from the Economy and Finance Directorate of the Commission and the resistance, then as now, of Germany to EU bonds.[8]

Nonetheless, Delors managed to get the European Investment Fund established. In recent evidence provided to the Economic and Social Committee of the EU, both the Fund and the EIB confirmed that it could fulfil its original design aim to issue EU bonds without a treaty revision.[9]

The Economic and Social Committee then endorsed the principle that eurobonds could be adopted by "enhanced cooperation" whose treaty provisions are such that a policy can be adopted by nine or more member states without a vote on its adoption by others that do not support such a policy.

Article 20 TEU and Articles 326-334 TFEU provide that:

> Enhanced cooperation should aim to further the objectives of the Union, protect its interests and reinforce its integration process. Such cooperation should be open at any time to all Member States. The decision authorising enhanced cooperation should be adopted by the Council as a last resort, when it has established that the objectives of such cooperation cannot be attained within a reasonable period by the Union as a whole, and provided that at least nine Member States participate in it.

The Council approval of an enhanced cooperation procedure may be unanimous or by qualified majority. But since all member states rather than only those in the eurozone could gain from investment finance from eurobonds, which, like EIB bonds, need not count towards national debt, there is a realistic prospect of its adoption, not least in view of François Hollande's election in France as well as George Osborne's calling for eurobonds on the understandable grounds that UK exports will suffer if the EU economy does not recover.

Competitiveness, the Periphery and a European Venture Capital Fund

Eurobonds issued by the EIF could finance a European Venture Capital Fund, which also was one of its main design aims when advocated to Delors in 1993.

This was based on the recognition that interest on loan finance both deters new start-ups and then strangles many of them before they have been able to gain markets. But the design aim was defeated by opposition from the Economy and Finance Directorate General of the Commission, and the role of the EIF was reduced so greatly that it could not even make loans to SMEs but merely offer loan guarantees.

The Fund's threshold for such guarantees, five million ECU, was also too high for many small and medium firms. Furthermore, it did not offer these directly but only through national financial intermediaries. The outcome was that the Fund, by 1999, had managed to guarantee loans only equivalent to one billion ECU.

However, the proposal that a European Venture Capital Fund could be financed by eurobonds issued by the EIF has gathered support from both the trade unions and the employers' confederations represented on the Economic and Social Committee of the EU.[10]

8 S. Holland: The European Imperative: Economic and Social Cohesion in the 1990s, Foreword Jacques Delors, Nottingham November, 1993, Spokesman Press.

9 Economic and Social Committee: Restarting Growth: Two Innovative Proposals, Brussels, 23 February 2012, http://www.eesc.europa.eu/?i=portal.en.eco-opinions&itemCode=22257.

10 Economic and Social Committee, op. cit.

Promoting Convergence

This has significant implications for convergence, since Central European economies such as Germany and Austria already have excellent financing for small and medium firms through their *Mittelstandspolitik*. It is the peripheral economies that need this. Eurobond financing for a European Venture Capital Fund could also overcome the constraints of the Framework programmes for science and technology.

In the drafting of the Fourth Framework Programme (FP4), it was accepted (based on the proposal of one of the authors of this paper) that its programmes should include an institution or enterprise from a Schedule 1 (underdeveloped) region and gain preference for consideration if they also included a Schedule 2 (depressed urban) area. The aim of this was to bring these areas closer to the innovation frontier of Europe's most advanced regions. But while this was adopted, 19 out of 20 applications to FP4 were ultimately unsuccessful because of a lack of the Commission's own resources, while some 700 projects were signed off as meeting scientific criteria but did not create a single new high-tech start-up.

By contrast, there would be no limit in principle to a European Venture Capital Fund financed by eurobonds.

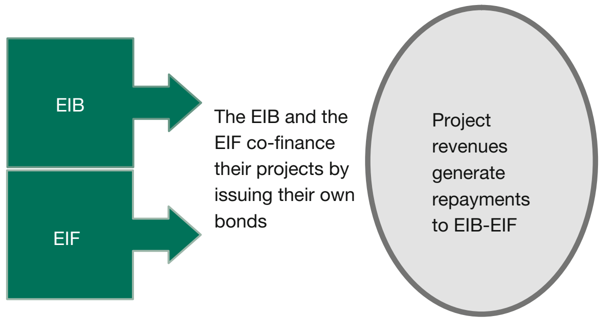
The periphery also would gain from their financing the TENs projects. Most of the high-speed rail networks needed in the centre have been completed, but not in the periphery because of a lack of national co-finance for EIB funding.

Europeanising Investment Finance

The principle here is that investment is Europeanised (just like the banking sector and the Maastricht-compliant debt of member states) but without the need for debt buy-outs, mutual national guarantees or a common fiscal policy, since the joint EIB and EIF bonds to finance it would be serviced by individual member states.

In effect, the EIB and EIF investments will operate in a manner similar to Keynes' original idea of a global clearing union, only in this case it would be an explicit investment-directed surplus recycling mechanism. But the proposals are also post-Keynesian since they are concerned not only with achieving higher levels of *effective* demand but also with meeting *latent* demand

Figure 4
EIB-EIF Collaborative Funding of Investments



for such social investment projects which have gained planning and environmental approval.

Shifting social investments to Europe would also release a major share of national fiscal revenues to achieve the Essen European Council's as yet unrealised commitment to "more labour intensive employment in the social sphere".

To deal with the overall underinvestment crisis, the EIB shall continue funding large scale investment programmes while the EIF will fund small- and medium-sized firms and start-ups, offering venture capital for the purposes of kick-starting growth in high technology, green energy, environmental health, education and urban renewal projects (see Figure 4).

Why are the EIB and EIF not doing this now? They do, only the volume of investments is severely circumscribed because of the convention that 50% of project funding be financed by member states. As member states are fiscally stressed, the growth potential of the EIB and the EIF is minimised. Our proposal is that this 50% co-financing, which now acts as a mighty brake on growth (courtesy of the indebtedness of member states), comes from additional net ECB bond issues.

Aggregate investment in the eurozone thus funded (50% by EIB bonds and 50% by ECB bonds) could be calibrated to a level equal to some proportion of total eurozone GDP, while the distribution of funding within the various eurozone regions (and not just countries) should be designed to counteract the internal imbalances of competitiveness and intra-eurozone (im)balance of payments.

Three Policies Representing a Gestalt Shift that Can Liberate Europe from Debilitating False Dilemmas

Two years of crisis have culminated in a clear and present danger that Europe could not only experience another recession and a painful dismantling of the eurozone but also the demise of the European Union, of open borders and of open minds, and the risk of a global collapse.

While this process of deconstruction is eating away at the foundations of Europe's potential for shared prosperity and global cooperation, Europeans are imprisoned by four false dilemmas:

- The current terms of reference in the debate are trapped in a dyadic logic of austerity versus tax-and-spend stimulus policies;
- They are also trapped in a presumption that any solution needs to be agreed to by Germany, whereas the neglected EU provision for decision-making by enhanced cooperation does not need the consent of Germany;
- There is a presumption that the issue at hand is how to persuade Germany and the few other remaining surplus countries to bankroll the rest when this is neither necessary nor desirable;
- There is anguish over the pros and cons of moving toward federation, as if this could be agreed upon in time to stop what may be the imminent disintegration of the eurozone.

It is our contention that these are, indeed, false dilemmas that imprison our thinking, immobilise us and are largely responsible for delays, false starts, and ill-fated "solutions". By contrast, this Modest Proposal counters that:

- the dilemma between austerity and debt-fuelled growth policies is irrelevant;
- lax monetary policy on behalf of the ECB or greater wage/price inflation in Germany and the rest of the surplus nations is unlikely to deal with the crisis effectively;
- Germany and the rest of the surplus nations need not bankroll either a European Recovery, Rebalancing and Convergence Programme or the management of excessive sovereign debt;
- federal moves and treaty changes may be desirable but will take too long and are not needed to resolve the crisis now.

On this basis, the Modest Proposal's three policies are simple and feasible steps by which to deal decisively with Europe's banking crisis, the debt crisis, and the underinvestment, unemployment and internal balance of payments crises.

In one stroke (Policy 1), by creating a single banking sector, banking losses are separated from stressed sovereign debt, and recapitalisation can proceed properly and rationally.

In another stroke (Policy 2), the eurozone's mountain of debt shrinks (through an ECB-EFSF/ESM conversion of the Maastricht-compliant debt of member states).

Third, the EIB and EIF jointly recycle European savings and global surpluses, enabling recovery and enhancing the potential for cohesion and convergence (Policy 3).

At the political level, the three policies envisaged by the Modest Proposal constitute a process of *decentralised Europeanisation*, to be juxtaposed with an *authoritarian federation* that has not been put to European electorates, is unlikely to be endorsed by them (as evidenced by the serial fall of governments since 2009) and, critically, offers them no assurance of higher levels of employment and welfare.

In essence, what we are proposing is the Europeanisation of three areas of economic activity: banking supervision, sovereign debt management and a recycling of European and global savings into socially productive investment flows which also will greatly advantage the private sector. However, our proposed Europeanisation retains a large degree of subsidiarity that is both more consistent with greater sovereignty for member states than a supranational federalism (combined with the minimal collective rationality required for the effective governance of the common currency area) and commensurate with the principle of reducing excess national debt (once banks, debt and investment flows are Europeanised).

While broad in scope and ambition, the Modest Proposal suggests no new institutions and aims at redesigning the eurozone with minimal use of new rules, fiscal compacts or troikas. It requires no prior agreement to move in a federal direction while allowing for consent through enhanced cooperation rather than imposition. It is in this sense that this proposal is, indeed, modest and something on which governments should act.