What Role Should Solidarity Play in the European Economic and Monetary Union?

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Abstract

After being neglected for years, due to the favorable European economic outlook, the issue of solidarity among EU Member States (MS) is at the forefront since the financial crisis turned into a sovereign debt crisis, forcing some countries to be bailed-out. New institutions were put in place, but little attention has been paid to analyze what role solidarity should play in the Economic and Monetary Union (EMU). The paper will argue that the concept of solidarity can be meaningfully applied to regulate the interdependences and define the obligations that exists between European Member States (MS) as participants in the EMU. Following a practice dependent approach, the work will contribute to the existing literature on the obligations European countries have among each other by defining the specific solidarity actions that will make the EMU reach its point and purpose. It will therefore be argued that European countries have a duty to: coordinate their economic policies, pool risk against asymmetric shocks and provide assistance to less-developed MS.

Introduction

The Eurozone crisis has tested the institutional framework of the Economic and Monetary Union (EMU), which was not prepared to sustain the biggest recession of the past seventy years. After 2008 European Member States (MS) had to face the reality of the deep interconnectedness of their economies and the potential for these economic ties to create huge macroeconomic imbalances (Baldwin et al. 2015).
Unfortunately, the various bailouts and EMU reforms events have set in motion centrifugal forces, fueled by nationalistic rhetorics that have divided the continent between peripheral countries requiring financial help and core countries reluctantly providing it.

The question underlying this debate, ultimately refers to the kind of moral obligations European states have toward each other as members of the Single Market and of the Eurozone. What do we owe to our fellow Europeans as members of the EMU?

This work will try to answer to this question by proposing solidarity as a concept that can be meaningfully applied to regulate the interaction of Member States (MS) within the EMU.
Following a practice-dependent approach, this paper will argue that, in order for MS to fulfil the point and purpose of the EMU, they need to be in solidarity with one another. They thus have a duty to: coordinate their economic and fiscal policies, pool risk against asymmetric shocks and provide support for the development of poorer MS. This special duty between MS arises out of the deep economic interdependencies between them and the necessity to act together on a shared plan of action, in order to fulfil the normatively valuable purpose of the EU. These obligations are suited for the kind of polity the EU is, as they are more demanding than the the mere humanitarian help owed to countries in need although less than the domestic ones owed to conationals.

In order to prove this argument, the paper will be divided in four sections.

The first will be an exercise in conceptual analysis aimed at understanding what solidarity actually is. The aim is to elucidate the conditions that have to be fulfilled for members of a group to be in solidarity with each other, but also to clearly distinguish it from other concepts.

The second chapter will ask whether the EMU can be a fertile ground for the flourishing of solidarity among MS. It will be claimed that the EMU is a project requiring joint action, since the shared goals it aims to fulfil can only be achieved if European MS cooperate and are in solidarity with each other. The kind of activities they will have to perform to be in solidarity are the coordination of their economic policies, the pooling of resources to insure against asymmetric shocks and the provision of funds to poorer MS in order to allow them to fully participate in the fulfilment of the shared goals. These acts of solidarity need to be balanced by a principle of responsibility, in order to prevent opportunistic behaviour which renders the the EMU unsustainable. The determination of the balance between solidarity and responsibility, which ultimately establishes the extent of the solidarity obligation should be found through a process of deliberation among states and peoples which is consistent with the democratic principle of non-domination and equality of each demos.

The third chapter will provide the moral reason for MS to be in solidarity with one another. I will argue that MS have an obligation to regulate their interdependence following the solidarity principles outlined, as these will lead to the fulfilment of the point and purpose of the EMU and, consequently, that of the EU. MS thus have a special obligation towards each other, which arises from the shared currency and membership of the Single Market. These two institutions imply that MS can influence one another in problematic ways, but also that it is only by acting together that they can thrive.

Finally, the fourth chapter will ask whether other, less demanding, principles could also be followed to make the EMU work. It will be argued that conceiving the EMU as a business partnership rather than a solidarity group would make the whole project collapse.

This analysis aims at contributing to the debate on the kind of moral obligations that exist among European countries in two ways.
Firstly, it attempts to enlarge the application of solidarity to a policy area mostly covered by economists, namely the EMU.

Secondly, it seeks to specify the actions that MS should take in order to fulfil their obligations. Indeed, political theorists have so far been quite vague as to how MS can fulfill their obligations towards one another. Most authors agree that these obligations are present, but leave the task of identifying what actions need to be taken to fulfill them to political scientists. However, saying for instance that Germany needs to help its poorer neighbors, or owes something to poorer countries, seems insufficient. How it should do so is also normatively relevant. This is because the way in which solidarity is expressed among demoi needs to be congruent with the goals of the EMU and with the kind of polity it actually is.

A Practice-Dependent Framework

The elaboration of this theory of international solidarity applied to the EMU case has not been derived from first principles and does not aim to fulfil a specific idea of justice or equality that will then be used to suggest how to modify existing institutions. In other words, the principles of solidarity being proposed will not aim at bringing the EU closer to an ideal society. Instead, this theory's starting point is the existing institutions, namely the sharing of a currency and being part of a Single Market. The content, scope and justification of this conception of international solidarity thus depends on the current economic interactions that characterize the EMU. This practice dependent approach will start with the "interpretation of the point and purpose of the institutions for which the principles are needed" (Sangiovanni, 2008, 164) (Section 2.2) and will then proceed by qualifying the way in which these institutions make the participants (i.e. the MS) interdependent and the kind of interactions that sharing a currency and being part of the Single Market give rise to.

There are two advantages to following the practice dependent method. Firstly, as it is anchored to existing institutions this conception of solidarity is tailored for the specific object it is meant to render sustainable, namely: the EMU (Burelli, 2016). Secondly, the implication of the argument and the kind of changes to the system it advocates are practically feasible, thus providing direct guidance for policy change.

Critics of this method could argue exactly the opposite, as in their view this way of proceeding puts undue normative weight on existing social arrangements (Estlund, 2014) that could instead be the mere product of morally arbitrary factors or outright injustice (Sangiovanni, 2013). Hence the risk is to fall in the trap of the status-quo bias.

While a complete justification of this method is beyond the scope of this work (see Sangiovanni, 2008; Rossi et.al. 2014; Rossi, 2015), it can be noted here that the status quo bias can be avoided and that the method, if properly applied, can propose very radical changes to the real world (Rossi, 2015). In this specific case, it will be argued, contrary to the current political sentiment among citizens and current institutions (Eurobarometer, 2016) that European countries should express solidarity toward each other by coordinating their economic policies, pooling risk against financial shocks and provide funds for less developed members.

Chapter 1: Solidarity: a conceptual analysis

Before analysing why European states should regulate their economic interactions according to solidarity principles and what these principles require them to do, it is essential to understand what being in solidarity means. The methodological aim is to distinguish it from other concepts, by piecing together the now quite extensive literature on the topic. The goal is to define solidarity clearly enough, so that its compatibility with the institutional arrangements of the EMU can be meaningfully evaluated.

In order to understand what a concept means, it is useful to start by looking at how it is used and has been used. Stjerno (2005, 43) distinguishes between three traditions of solidarity. Marxist solidarity pivoted around class relationship and entailed a commitment among workers to help each other in the fight against capitalist oppression. Christian solidarity, which provided the moral backbone of Christian democracy in the 20th century, is founded on the idea of universal love and alleviation of suffering. Finally, the social theory tradition - pioneered by the work of Fourier (1922) and enriched by the analysis of Durkheim (1997) - describes instead the sociological dynamics which led to the progressive enlargement of the solidarity groups, from the small pre-industrial communities till the large nation states.

The problem with formulating such a historical account is that it would result in a notion that is not useful for our purpose, since it is clear that the concept has been used to describe very different social arrangements and obligations. As Stjerno (2005) notes, solidarity changed its meaning through history depending on who was advocating it. Even in contemporary use, there does not seem to be much clarity around the conditions for its existence or the precise nature of the relationship between the people among which it is felt. Things are certainly not simplified by the fact that solidarity is a hybrid concept, used to describe both an observable empirical behaviour amongst people and the normative grounds on which there ought to be such behaviour' (Nicolaidis et. al, 2012).

It might be more fruitful to start with understanding one of the defining features of the concept, namely: exclusion. Indeed, solidarity is exclusionary in nature as it describes a relationship between an 'I' and its identifications with a 'we', and the relationship between a 'we' and a 'they' ' (Stjernø, 2005, 17). From this point of view, the concept shares some common traits with fraternity, which has similar historical provenance (Bayertz, 1999; Brunkhorst, 2005), since both require individuals to make some distinctions between members and non-members, brothers (or sisters) and the rest.

What determines the boundaries between 'we' and 'they' can be traced back to very different variables. One can be in solidarity with fellow citizens as part of the same 'moral community' (Bayertz, 1999, 11), for instance, or with the protesters of Occupy Wall Street who are marching together. Pirates can be in solidarity with each other and so can Nazi officers.

In all these examples, solidarity presupposes a sense of community, which is motivated by the belief that from the point of view of the single individual it is more advantageous to be part of the solidarity group. However, solidarity cannot be reduced to either pure self interest nor pure community (Nicolaidis et. al 2012). If the members of a group only follow their self interest, which happens to be aligned on an issue, then we would rather describe it as an alliance. Conversely, a complete overlap between the goals of the individual member and that of the community is not required for us to speak of solidarity (Nicolaidis et. al. 2012, Taylor, 2015; Sangiovanni, 2015).

Surely, solidarity requires a shared cause. We cannot be in solidarity with ourselves (Nicolaidis et.al 2012) or with someone who strongly opposes our goal. This does not preclude, of course, that what we pursue together is morally wrong (Taylor, 2015). What is required is for people to have some level of shared understanding of the cause that unites them (Taylor, 2015, 134) and a commitment to pursue that goal together. If the workers in a union have incompatible ideas regarding how to obtain better treatment from their employer, they cannot be in solidarity with each other.

This is even more true if we further qualify the relationship among people within a solidarity group. Not only do people share a joint interest, but they also link "the achievement of such interests to one's own well-being" (Taylor, 2015, 133). It is clear then, that if individuals' goals are conflicting or merely parallel (in the sense that they can be achieved regardless of what other members do), then there will not be any disposition to empathy among them, which stems from their interdependence. In other terms, members of a group, which is not underpinned by solidaristic principles, do not necessarily see each others misfortunes as reasons to come to their aid (Sangiovanni, 2015, 347).

In many cases achievement of the shared goal is linked to overcoming an adversity, which can be a threat external to the group or a problem shared by all members arising as a result of their living together. Social insurance, for instance, protects from the cost of being unemployed, by pooling funds among workers. Indeed, the welfare state is the greatest example of institutionalized solidarity, as large number of citizens offer each other help in overcoming different adversities. This form of 'statist' solidarity (Stjerno, 2005, 33) is a recognition of the interdependence of citizens' lives and has an important redistributive function, since at any time those who benefit from it are the least well-off, who are helped by the rest of the community. In this case, solidarity loses its emotional component and becomes the result of a calculated reasoning on how to manage the economic interactions among people and pool risks efficiently.

Solidarity in general, but statist solidarity in particular, is also different from pure altruism or charity. While the latter is based on spontaneous help, the support provided by the welfare state warrants the creation of institutional frameworks that require reciprocity and are therefore obligatory.

On a more general level, though, what distinguishes selfless altruistic behavior and solidarity is the relationship between donor and receiver. Solidarity bonds pivot around the expectation of reciprocal help motivated by the interest in a common cause, while this is not the case for charity, which is instead a superogatory act on the side of the donor only.
Moreover, because of its exclusive character, solidarity cannot be universal, while charity can be. Contrary to this account, a Christian conception of solidarity could be seen as being rightly extended to all humanity, as all people can empathise with those who suffer regardless of the ties that unite them. This Christian notion seems to be motivated by the contempt towards all forms of suffering and uses joint action only as a means to be more effective. Rather, in the account I provide, the reason for members of a solidarity group to offer each other help stems from their taking part in the same common cause and their contributing to it.

A useful schematic summary of what it means to be in solidarity with one another is provided by Sangiovanni (2015). His account of solidarity is compatible with those of Nicolaidis et al. (2012), Burelli (2016) Taylor (2015) and Vignon (2011), even though more emphasis is placed on the idea of joint action. If condition one to five are satisfied, then we can say that we are in solidarity with each other.

1. You and I each (a) share a goal (b) to overcome some significant adversity;

2. You and I each individually intend to do our part in achieving the shared goal in way that mesh;

3. You and I are each individually committed (a) to the realisation of the shared goal and

4. (b) to not bypassing each other's will in the achievement of the goal;

5. You and I are disposed (a) to incur significant costs to realise our goal; and (b) to

6. share one another's fates in ways relevant to the shared goal.

Chapter 2: Can solidarity be applied to the EMU?

Now that the we have outlined the contours of the concept of solidarity, we can try to understand whether the EMU can be a locus for its flourishing and application, leaving for the next chapter the question of whether European countries have a duty to be in solidarity with one another.

We will apply Sangiovanni's conditions outlined in Chapter 1 to assess whether the EMU can be considered a fertile ground for solidarity. In other terms, we want to understand whether the sharing of a currency and the Single Market qualify as the kind of project in which solidarity as joint action can be implemented. We will not be trying to understand if solidarity is present as a feeling. Instead, the analysis will show that:

i) the EMU's goals can be reached only by acting together and that they share the features of proper solidarity goals;

ii) some specific actions need to be taken by MS to fulfil these goals and
iii) these actions qualify as solidarity acts.

This exercise requires us to look at the nature of the relationship between the participants to the EMU together with the kind of interdependencies the EMU gives rise to and interpret them through the lens of solidarity.
In applying Sangiovanni's conditions to the EMU case, however, we should not consider all current institutions and practices necessary or beneficial for its long-run functioning. If we did this, we would be giving undue empirical and normative weight to the current institutions, which may actually be part of the reason solidarity is not present and the EMU is not achieving its goals.

To illustrate this point, consider the conditionality clauses attached to the provision of financial assistance to MS under the European Stability Mechanism. If we regarded this rule as necessary for the functioning of EMU, we would be led to conclude that –at least prima facie– solidarity is impossible, as strict conditionality stands in clear contrast with the altruistic nature of solidarity. Yet the way the European Stability Mechanism lends its funds is by no means the only possible way of offering financial help to countries under financial distress (Sander, 2015). On the contrary, this rule may turn out to be detrimental to the smooth functioning of the EMU.

What needs to be analysed are the "basic facts" of the EMU: the sharing of a currency among European states and the participation in the Single Market. To better exemplify this point, it is useful to give a brief description of the economic environment MS create as members of the EMU.

2.1. A brief overview of the EMU

The first element of the EMU to be analysed is the Single Market, an economic area in which goods can move freely, without controls or tariffs. The customs union allows companies in Slovakia to sell their goods in Spain and vice-versa with no transaction costs involved. The Single Market increases competitive forces among European companies, which may be driven out of business by the more efficient ones in other MS. At the same time, supply chains stretch beyond national borders, making producers and therefore countries highly interdependent.

Apart from being part of the same market, 19 countries also share the same currency and this gives rise to different and possibly more complex dynamics.
First of all, sharing a currency implies not having an explicit exchange rate. This means that MS cannot devalue their currencies in an attempt to regain competitiveness, but will instead be forced to cut wages and costs (Blanchard et al. 2013).
Secondly, having the same currency implies that the monetary policy will be the same for all. The decision to set higher or lower interest rates is taken by an independent central bank with the mandate to pursue price stability, but crucially its decision will affect all Euro area MS.

These structural constraints on MS economic policies should then be placed in the general heterogeneity of the European economies, which differ in their production structure, productivity, labour markets and in their general balance between market principles and social objectives (Storm, 2016). These differences are both an asset and a liability. They create one of the biggest and most heterogeneous custom-free areas, from which huge gains from trade can be reaped. At the same time, though, they motivate countries to follow different and potentially diverging economic and fiscal policies, while monetary authority is centralized and equal for all.
As a result, the EMU is a currency area deprived of the usual competences of states, since each member is responsible for its own economic and fiscal policy, while monetary and trade policy are the same for all.

2.2. The EMU as a Shared Goal

As previously discusses, for solidarity to be even hypothetically present, people need to have a common goal, which can be achieved through joint action. In this section I will claim that the EMU's point and purpose shares these characteristics.

What is the goal of the EMU? I believe there are different level of precision with which this question can be answered. On a general level, the EMU concurs, together with all other policy areas (e.g. Asylum policy, Defence etc.) to the realization of the European project. The latter can be defined by different components in descending levels of importance. Peace among European states, would surely figure prominently as the first concern of the EU's founding fathers, who saw the horrors of the Second World War, which torn the continent apart. In the declaration of the Heads of State preceding the provisions of the Maastricht Treaty the focus shifted to the enhancement "of the democratic and efficient functioning of their institutions" (TFEU, 2008, 14) and the promotion of "economic and social progress" (TFEU, 2008, 14). These macro and still arguably vague objectives should be achieved "within the context of the internal market" (TFEU, 2008, 14), which becomes (one of) the mean(s) to achieve them. In other terms, the normatively valuable goals of the EU should be achieved by promoting the four freedoms (i.e. freedom of movement, of goods, services and capital). Indeed, EMU comprises the set of institutions that are supposed to implement and safeguard them.

EU treaties are more precise still. Within the normative project of the EU, the EMU should reach a "balanced development of economic activities, sustainable and non-inflationary respecting the environment, a high degree of convergence of economic performance, a high level of employment and of social protection" (TFEU, 2008, 14).

Can this be considered an acceptable goal? One that would allow us to say that MS can, in principle, be said to act in solidarity with one another? I believe it can. To see this, consider the example of another goal that does not count as uniting MS in solidarity. The regulation of traffic and speed limits is surely a legitimate concern of the state, which aims at preventing car crashes on the road. All European states aim at this goal and have provisions for its achievement, yet this should be considered as a *common* rather than *shared* goal. Its achievement does not depend on the action of other MS, as vehicles can be in at most one state at a time and road regulation can vary greatly from one to the other.
Instead, in the case of the EMU, states can impose significant cost on each other, but also reap significant benefit by acting together, as in the drafting of trade agreements or the decision to simultaneously increase investment to boost growth. In short, they need to act together if they want to reach the shared goal.
The adversity to be overcome can be identified using the same logical procedure. The EU was created in order to avoid war and future conflicts. The EMU, understood as shared action requiring solidarity, should concur to the realization of this objective by preventing the kind economic conflicts, which have historically led to armed confrontations. Currency wars and trade wars are the extreme examples of the inability of MS to coordinate each other in the face of competing economic interests.

In this case the identification of the adversity is not a state of affairs that has materialized, but rather the outcome of a counterfactual reasoning: had MS not found unity in this political venture, actual wars or currency wars would have arisen. In these cases the adversity is the product of the missed gains from coordination and mediation of conflict, which are themselves challenges arising within the EU boundaries and as a consequence of MS's interactions. But external threats can be just as important. The financial crisis and the exposures to the costs imposed by globalization or the unfair competition from China are all suitable examples. Despite such difference, all these scenarios of adversity share the characteristics that they require states to act together to reduce their impact (globalization and unfair competition) or prevent their insurgence.

As briefly explained in the previous section, being part of EMU also implies that states are likely to incur significant costs to themselves. Since capital is free to move from one state to the other, MS may be forced to shift taxation toward the relatively more immobile factor of production, namely: labour. The Single Market also imposes competitive pressure on domestic firms shaping the countries' production structures and bargaining powers among

social actors. Sharing the same currency forces a single interest rate policy on all MS, which could lead to strong inflation differentials, as was the case during the pre-crisis years (Sinn, 2013).
The presence of these costs corroborates the idea that the EMU project can be considered the kind of common project requiring solidarity: if being part of the EMU did not impose any sacrifice on MS, it could hardly be seen as a solidarity project (Sangiovanni, 2013).

2.3 Solidarity actions and their principles

I have so far claimed that the EMU is the kind of common project whose goal can be considered a solidarity goal, since it requires countries to act together (condition 1a) to overcome certain adversities (condition 1b) and it imposes significant costs on them (condition 5a). What remains to be analyzed are the kind of activities that MS should perform to reach the solidarity goal. If these activities will bring MS closer to the shared goal of EMU and qualify as solidarity actions, we will be able to conclude that the EMU can be a fertile ground for the creation of solidarity.

This result should not be taken for granted. Even if we have shown that the EMU's point and purpose is a shared goal, this does not mean that solidarity can be meaningfully applied. It may be the case that some shared goals can be achieved simply by letting countries compete with each other and by allowing market mechanisms to constrain their decisions. Perhaps the EMU's goals do not need anything more than this. Conversely, it may be true that even though the EMU has set for itself some goals that qualify as solidarity ones, these cannot be reached because of the conflicts that arise among MS. Indeed, conflicts have already arisen, because countries have different institutions (e.g. labour market, property laws, competitiveness) and political preferences, but are at the same time very interconnected, which means that the choices they make influence other neighbors. During the eurozone crisis, for instance, Germany, the Netherlands and Austria would have needed higher interest rates to "cool down" the economy, while Italy, Spain and Greece needed the opposite, yet the ECB could only set one policy for all. Another example is Germany's heavy reliance on exports and propensity to save, which tends to lower inflation for the whole currency area and forces other countries to cut wages in order to remain competitive (Bofinger, 2015) .

By testing if the actions that bring MS closer to the shared goal are instances of solidarity, we will also be able to understand around which principles EMU solidarity pivots and which constraints it faces.

To reiterate, in this section we will be answering to these questions: What are the actions MS should take to be considered as being in solidarity with one another? How do these actions bring MS closer to the realization of the shared goal? What principles underpin them?

The argument will be that, in order to reach the shared goal of the EMU, MS need to coordinate their economic policies, pool resources to shield themselves against asymmetric shocks and provide resources for the development of poorer members. Moreover, it will be shown that these actions suggested by economic theory are indeed instances of solidarity.

The analysis of these activities will highlight the principles around which they pivot, namely: reciprocity and responsibility.

2.3.1 Reciprocity

The principle of reciprocity refers to readiness to adapt one's actions and resources in ways that are beneficial to another member of the group and concur to the realization of the shared goal on the expectation that other members will do the same in the future.

Reciprocity lies at the heart of three fundamental ways in which solidarity should be expressed among MS, which are: coordination, insurance and cohesion.

Coordination

MS can be said to be in solidarity with one another, when their economic policies are coordinated. This means that domestic decisions on government spending and structural reform are decided not only in the national parliaments, but also among European governments in order to achieve the shared goals (identified above).

To give an example of this, consider the contemporaneous decision by many MS to increase spending, in order to spur growth. The decision depends on the countries' national parliaments and governments, since spending power is a national prerogative, but the goal of creating growth in the whole Eurozone requires all MS to agree on the timing of such spending increase.

Coordination, the benefit of which were first pointed out by Commission in 1989 (Delors, 1989, 11), brings MS closer to the shared goal of EMU in three ways. Firstly, by taking into account each other's reforms and spending plans MS can achieve a non inflationary and balanced growth by smoothing the business cycle. Developed economies often go through periods of economic depression followed by a quick expansion. De Grawe at al. (2005) show that sharing a currency can make these shocks less synchronized among MS, because their economies specialize in different sectors, which are hit by recessions with different timings. By coordinating national spending and economic policies, MS can offset the forces of economic specialization and reduce the probability and impact of asymmetric shocks (Nicoli, 2016).

Secondly, coordination can foster convergence among EMU countries by exploiting positive spillover effects and/or limiting negative ones (Bayoumi *et al.*, 2004). If a less-developed MS wants to implement supply-side reforms (e.g. labour market reform) to increase its competitiveness, the short-term domestic cost of the measure can be reduced if its trading partners increase aggregate demand and imports from that country (Merler et. al. 2012).
Coordination could also benefit developed economies. Indeed, some policies can pay higher dividends when implemented contemporaneously by more than one MS, as is the case of service liberalization or demand stimuli.

In addition, negative spillovers or race to the bottom in taxation and labor regulation can be avoided by effectively sharing informations and agreeing on a shared plan of action (Bovenberg et al. 2003; Dietsch, 2011).

The European Semester, albeit very imperfectly, tries to achieve precisely this goal. Space constraints a proper tractation of why it has so far achieved only modest results, but its rationale is very clear: MS's economic policies should be congruent with one another as much as possible.

Without reciprocity this coordination would be impossible to achieve and if it was, it would be by mere luck. Why would any MS commit to take into consideration the needs of its partners knowing they would not do the same?
It could surely be the case that labor market reform in different MS, for instance, could be synchronized, in order to face similar underlying productivity problems. However, this is the exception rather than the rule. Different bargaining powers between social actors or simply different institutional constraints to the policy formation within a country generally lead to very different solutions to similar problems.

Insurance

The recent financial crisis has proved, however, that even a well-orchestrated conduct of economic policy among states cannot shield from global external shocks that hit the Eurozone economies at the same time but in very different ways. When financial markets loose liquidity very quickly and banks solvency is at risk in many economies, it is simply not enough to coordinate ones economic policies (Baldwin et al. 2015).
In cases like the recent Eurozone crisis, an active provision of funds is needed to stop the financial contagion from spreading from one country to the other, so that a form of insurance among states is the only viable option. Solidarity is thus expressed by the readiness to provide resources to the pool of funds used to shield against external financial shocks.

Solidarity as insurance, if properly designed, brings MS closer to the realization of the shared goal by avoiding the breakup of the union caused by possible financial default or severe recessions, which would make the prospect of continued membership unfeasible. In addition, by preventing the reaching of the kind of "bad equlibrium" (Baldwin et al. 2015) and the typical "sudden-stop" episodes (Obsfeld, 2013), which arise when a financial crisis hits a currency union, this kind of insurance can foster convergence among MS.

To reiterate, reciprocity is key. The sustainability and effectiveness of any insurance mechanism hinges on the shared expectation of mutual help and the one I have just outlined isn't any different. The pooling of risk requires the participation of as many members as possible, in order to exploit the different timing, with which macroeconomic shocks hit the currency area (Shelke, 2017).

This kind of insurance against external shocks is approximated by the European Stability Mechanism and the ESFS. As in the case of the European Semester, these institutions are not underpinned by the kind of solidarity principles I have outlined, yet function in a broadly similar way as the kind of insurance I envisaged: MS pool some resources to help countries avoid the worst consequences of asymmetric shocks.

Cohesion

The third way in which solidarity should be operationalized in order to reach the shared goal is through direct transfers toward the less-developed MS that need to modify their economies in order to fully participate and benefit from the EU membership. This transfer of resources should be aimed at smoothing the transition toward EMU membership and is thus not related to any specific external shock as solidarity as insurance is. Instead, its function is to give receiving MS the opportunity to develop and ignite the kind of catching-up process, which ultimately benefits the whole EMU.

This is surely the most demanding form of solidarity, because in the absence of a strong sense of community and disposition to empathy the kind of reciprocity that underpinned the previous forms of solidarity and ensured that donor countries' help was not unconditional, does not seem to play a fundamental role. Simply put, from the point of view of rich countries, it may seem unrealistic to imagine themselves in a distant future as receivers of those funds they are now giving to other members.

This kind of solidarity can thus become indistinguishable from outright egalitarian redistribution, at least in its form. However, its motivation is very different and better understood as "enlightened self-interest" (Fernandez et.al 20120), in the sense that donor countries will see their help toward others as instrumental to their long-term growth and prosperity. The element of reciprocity in this kind of transfer may not correspond to the expectation that the same solidarity action will be carried out in the future by those that have now received it (sometimes called "direct reciprocity"), but in the capacity of those same MS to fully benefit from their membership in the EU. The enabling function of solidarity as cohesion then benefits donor countries as well, since it allows all MS to participate to the shared goal as active members.

Are these instances of solidarity?

Can these actions be rightly considered forms of solidarity among states and not simply motivated by pure self interest? To support an affirmative answer, we can refer back to Sangiovanni's conditions (Chapter 1) and see how well they apply to these specific cases.

Firstly, economic policy coordination requires a shared understanding of the common goal and a commitment not to bypass each other's will in its achievement (condition 4a). Indeed, the fact of formulating one's economic policy, while taking into account what other MS intend to do implies a recognition of the interdependencies between countries, which motivates the creation of institutions aimed precisely at making each country's development compatible with that of others.

Secondly, all these activities, along with the fact of being part of the EMU impose significant costs on MS (condition 4a in Sangiovanni, 2013). Solidarity as insurance against external shocks requires the provision of funds now for potential benefits that will accrue in the future. Coordination of MS economic policies also implies that governments should postpone, anticipate or modify domestic reforms and this has implications in terms of redistribution within states. Much in the same way, solidarity as convergence funds foresees the active provision of resources to help less developed MS. These too are temporarily cost from the point of view of donors.

Thirdly, EMU solidarity actions, as I have specified them, imply that MS “share one another’s fate in ways relevant to the shared goal” (condition 4b in Sangiovanni, 2013). Indeed, these forms of solidarity are employed when some form of adversity is likely to materialize or has already materialized and harmed one or more of the MS. Thus, the donor countries are seeing to some extent other countries’ problems as their own or at least recognizing that the hardship suffered by another MS impinges on the realization of the shared goal and are determined to alleviate them.

Finally, these token activities are instrumental to the overcoming of different adversities. In the case of solidarity as coordination MS are trying to limit the kind of beggar-thy-neighbor policies that lead to macroeconomic imbalances and instability, to exploit the positive externalities in order to get out of a recession or provide stimulus to another country (Ostry et al. 2013). For solidarity as cohesion, the negative scenario is the break-up of the EMU due to the lack of convergence of one or more of its members with the most advanced ones. For solidarity as insurance the threat comes from market forces external to the EU, like financial crisis or business cycles.

Responsibility

What these solidarity actions have in common, albeit with different gradations and in different forms, is the use of resources to help other MS through the promotion of the shared goal. In case of coordination, solidarity requires the modification of governments economic plans, while for the other two solidarity actions an active provision of funds is needed. This can create destabilizing moral hazard problems. MS could free-ride on each others’ efforts and renege on their commitment, while still reaping the benefits that arise from solidarity and the participation to the joint action.

A classic example of this is fiscal policy. Italy may have a strong incentive not to increase its spending, once it is known that the rest of the Eurozone will increase its deficit, since the country would still benefit from the spillovers from the rest of the group through higher trade.
In case of solidarity as cohesion, moral hazard can have negative consequences in the short-run for the receiver countries as well, since over-reliance on foreign transfers can hinder the development of a self-sustaining production structure.
Similar reasoning applies to solidarity as insurance. Once MS commit resources to shield themselves against external shocks, individual countries have an incentive to lower their guards against such risks, by, for instance, by increasing spending (or not monitor

sufficiently the developments) in those sectors of the economy that would be hit the hardest by a recession.
In short, the EMU faces a classic prisoner's dilemma: once solidarity commitment has been established, MS have an incentive to renege on their commitment and temporarily reach higher welfare than the rest of the group. Once deviating behavior is identified by the rest of the group, solidarity can collapse due to the lack of trust.

To prevent EMU solidarity from spiralling toward a zero-sum-game, a principle that balances reciprocity is required. Responsibility and the related principle of liability aims precisely at this, while at the same time making solidarity sustainable in the long-run (Nicolaidis et al. 2012). Responsibility means that MS see themselves as accountable for their economic decisions and their outcomes vis-a-vis other members and therefore act in accordance with the rules of conduct and solidarity obligations that lead to the realization of the shared goals. Responsibility thus requires an empirical understanding of the kind of interdependeces that exist between countries.

Such responsibility is ultimately grounded on the fact that EU bodies do not have the legitimacy to dictate what economic policy MS must follow. Indeed, the conduct of economic and fiscal policy are among the core functions carried out by states, which ultimately express their sovereignty and autonomy.

The relationship between reciprocity - and the three different ways, in which it manifests itself - and responsibility is one of mutual reinforcement. MS will be ready to assist in times of crisis or correct their economic policies to foster the convergence of other members, only if they view other members' actions as responsible, meaning as not undermining the shared goal or as freeriding on their efforts (Vignon, 2011).

How Demanding are the Solidarity Actions?

Not only does responsibility sustain reciprocity, but it also determines how onerous solidarity should be. The balance between responsibility and the EMU solidarity actions answers to the fundamental "how much" type of questions. How extensive should an EMU insurance mechanism be? How much should a MS correct their economic policies, in order to coordinate their actions? Who should adjust? How onerous should a duty of solidarity be?

Perhaps it is useful to start from the opposite perspective. Can solidarity be too much? Can it be counterproductive? Unlimited forms of solidarity would imply changing the economic arrangements of the EMU toward a transfer union, in which richer MS provide, for instance, unlimited support to poorer ones and guarantee their financial liabilities in full. Such commitment would not be motivated by the kind of interdependencies that exists among MS, but rather by a far-reaching altruistic conception of the EU's point and purpose. Using Nicolaidis (2013) metaphor, we would be at the altruistic extreme of the solidarity compass.

There are three interrelated reason this kind of solidarity would be detrimental to the achievement of the shared goal of EMU and their analysis will also help us understand how to answer to the questions raised in the previous paragraph.

The first reason is empirical. Some examples of transfer unions have proven to be ineffective at creating convergence among regions. The example of the Italian North-South divide is particularly telling as it shows that moving resources alone can even have negative effects on long-term growth and the capacity to create self-sustaining prosperity, since external aid can distort incentives for specialization and create over reliance on external funds (EURIPSES, 1998).

Secondly, the autonomy and sovereignty of receiver countries would be diminished to an unacceptable level. The constant subsidizing of one MS at the expense of the rest of the group would imply that the receiver country could not be said to be relevantly in control of its fate. It would not be the country's capacity to thrive internationally or to educate its citizens that would determine its success, but the financial contribution provided by other Europeans. It would not be the specific features of the countries institutions which are the product of different and valuable histories that would lead to growth and prosperity, but the artificial push of foreign funds sustaining development. In turn, this logic would lead poorer countries being treated as moral patients and fail to uphold the idea of the union as a free association among equals.

This kind of relationship would become politically sustainable only if the EU became a unitary state after the completion of a political union, in which MS would stop being the signatories of the treaties. The problem of autonomy and sovereignty would be eliminated by creating a common demos, which decides unitarily on the distribution of resources. However, the creation of a single state by uniting the current nations together is far beyond the point and purpose of the EU.

If the solidarity actions reduce or distort the incentives for the expression of the autonomy of the MS, then solidarity fails to promote a sustainable process of economic convergence among demoi.

Finally, commitment to such unbounded form of solidarity would not be credible and therefore unsustainable. To be of practical use, any solidarity principle needs to take into account a peculiar feature of solidarity, which is the flip-side of moral hazard, namely: trust. If MS do not trust each other they will not be willing to offer aid in the first place. However, trust is not only a function of the credit-worthiness of a MS, but also of the kind of actions MS is supposed to take. In turn, the credibility of a solidarity commitment undertaken by the representatives of the MS's demos depends on the political mandate they have received. This mandate is essential as it provides the kind of legitimacy, which in liberal democracies is needed to use the present and future resources of a national community. Bellamy (2015) defines this as the "logic of two-level games", since agreement on and shared understanding of solidarity commitment among nations requires representatives of the various demoi to have a political mandate from their electorate, in order to be credible in the eyes of other statespeoples and not impose illegitimate constraints on their electorate.

Seen in this light the kind of unbounded solidarity commitment to transfer resources in perpetuity to poorer MS falls short of the kind of justification it needs to be credible and legitimate, since it does not foresee the possibility of reneging on such commitment, thus potentially clashing with the future self-determination of the donor's demos.

What can we conclude from this? Firstly, that the definition of the extent of the obligations demanded by solidarity should be allowed to vary through time, if it is to be compatible with the right of self-determination of each national demos.

Secondly, because the modification of these commitments will have an impact on other demoi as well, there is a need for discussion and deliberation among the European demoi. In other terms, the specific answers to the "how much" kind of questions can be found through a process of deliberation, in which the representatives of the demoi propose arguments to each other conceiving them as free and equal.

This deliberation is essential, since the conduct of economic and fiscal policy should recognize the 'burdens of judgment' that arise out of the complexity in the interpretation of evidence and the different weights MS put on social goals (Bellamy, 2015).

To summarize, the argument so far has been that the EMU can be seen as a shared goal, which can be reached only if MS coordinated their economic activities, pool risks and offer assistance to less developed members. These activities qualify as expressions of solidarity, as they fulfil the conditions highlighted in the first chapter. At the same time, the analysis of these activities has highlighted that reciprocity and responsibility are the principles around which EMU solidarity should pivot. We can therefore conclude that the kind of solidarity we have outlined in the first chapter can be meaningfully applied to the EMU. It thus remains to be seen if MS have a moral reason to be in solidarity with each other. This will be the the topic of the next chapter.

Chapter 3: Why Should European States be in Solidarity with one another?

What reasons do MS have to shape their economic policies and offer each other the kind of assistance according to the principles of solidarity I have just outlined? Why should they have duties beyond mere humanitarian aid? Why should solidarity exist between European countries in the first place?

The reason MS have a duty to express their solidarity in the three forms I have outlined is that through solidarity the sustainability of the EU project and the fulfilment of its goals can be secured. Solidarity is instrumental to the achievement of the point and purpose of the EMU, which in turn is instrumental to the achievement of the goals of the EU.

Without solidarity a "balanced development of economic activities, a sustainable and non-inflationary respecting the environment, a high degree of convergence of economic performance, a high level of employment and of social protection" (TFEU, 2012, 14) cannot be achieved. As the recent Eurozone crisis has shown (Baldwin et. al. 2015), pure market mechanisms alone cannot properly insure against external shocks, nor do they provide incentives for coordination, or structural support for less-developed economies.

Without solidarity, economic divergence between countries would result in the break-up of the union, as poorer MS would not be willing to share the fate of richer MS. The recent surge in eurosceptics movements in the Eurozone periphery -united by their commitment to keep their people separate- testifies how economic divergence fuels political disunity.

Burelli (2016) sees the threat of dissolution of the EMU as a reason for richer MS to contribute proportionally more than poorer ones to the solidarity fund (i.e. the amount of resources spent by MS on solidarity actions). His idea is that solidarity is needed as a way of convincing poorer MS, or those that could gain less from EU membership, to still comply with the EMU scheme. In other terms, France (or any other country with high GDP per capita) should give some resources to Greece or Slovenia, in order to obtain their "willing compliance with the cooperative system" (Burelli, 2016 ,20). Money in exchange for support.

While the idea that it should be advantageous for all members to be part of the EU and that, therefore, some redistribution is warranted does make sense, I believe this argument, if applied to the EMU (and perhaps to the EU as well) is not entirely convincing. The problem is that this kind of dynamic would not be able to solve all the problems which prevent poorer MS from benefiting from their membership in the first place. If the reason why poorer MS cannot thrive in the EMU is that richer ones are following economic policies which impose severe externalities on the rest of the group, then simple compensation will not be enough to ensure the long term sustainability of the EMU, which is based on convergence and compatibility. Compensation as such does not promote convergence, but rather divides the union between donor (creditor) and receiver (debtor) countries that would find it progressively harder to understand each others reason and avoid dominating each other.

From a different perspective we can see that Burelli places too much emphasis on the self-interest of individual MS and while there is a material incentive motivating countries to participate in the solidarity actions I have outlined, this is not sufficient to ground duties of solidarity. I claimed instead that the need for solidarity arises from the realization that each demos can affect others in problematic ways, which can prevent the realization of the shared goal.

The point is then that to be sustainable, the EMU needs a kind of solidarity motivated by a shared vision of prosperity requiring joint action (Habermas, 2013). The fact of being deeply interconnected implies that MS cannot succeed alone, but also that each can impose severe costs on the group through its decisions. This creates expectations of mutual support and warrants the commitment to agree on a shared vision. The reason richer MS should help poorer ones is that this will bring both closer to the shared goal.

One could object to this argument by saying that maybe Germans simply do not *feel* the kind of solidarity bonds I have described, because, after all, Europe is still a relatively new political project that has not permeated people's identity. In turn, they have no reason to commit some of their resources to support foreign countries.

Indeed when discussing solidarity we face an apparent methodological pitfall. The concept has a motivational component, which seems to prevent us from claiming that MS should be in solidarity with each other, if in fact they do not feel this kind of bond. In other terms, if we see solidarity only as a feeling, then our analysis would be limited to the empirical investigation of the attitudes of different states toward each other. Instead, the argument has been that MS have an obligation to be in solidarity with one another.

Solidarity, properly understood, should not be seen as dependent on the prior existence of specific community or historical bonds that result in emotional attachments, but rather as the ex-post consequence of reasoning on how best to regulate existing economic interdependence (Nicolaidis et al. 2012). It is certainly true that people's identification with the group strengthens solidarity by promoting a sense of belonging, but the duty to offer support arise out of the fact of sharing one another's fate (Sangiovanni, 2013). In the case of the EMU the fact of sharing a currency and of being highly interdependent creates special duties of solidarity between MS that go beyond the simple humanitarian intervention.

A Problem of Bootstrapping

One could rightly ask at this point how Europeans incurred these special duties. Our argument so far has been that, if the EMU is to be faithful to its point and purpose (which is part and parcel with the EU), then the demoi that compose it need to offer each other aid in the form of the solidarity actions outlined. However, eurosceptics could surely object that this way of proceeding avoids a fundamental and prior question, which is whether the EU as a whole is a desirable normative project. Simply put, I have so far not answered to the question of whether MS had a moral duty to create the EU and, consequently to be in solidarity with one another in order to make it work.

This question could appear superfluous. If the analysis presented leads to policy recommendation, which in turn make the EU a place in which shared prosperity can be achieved among demoi thanks to solidarity actions, then there seems to be little scope from a pragmatic point of view for asking whether the EU as an institution is a valid normative project. Indeed, the aim of this analysis was to understand which role solidarity should play in the EMU, rather than questioning the existence of the EU itself. Nevertheless, providing a first tentative argument to explain the foundational reasons for making the EU and EMU work can provide a clearer motivation for demoi to be in solidarity with each other.

For Sangiovanni, our natural duty to exit the state of nature gives us reason to create institutions such as the state, which regulate our interactions and are fundamentally examples of solidarity. Put differently, we ought to be in solidarity with others in order to avoid the threat of civil dissolution, which would send us back to the state of nature (Sangiovanni,2015, 344). While this argument seems right if we are analyzing solidarity within nation states, it is still hard to understand why do we have a duty of international solidarity as we have claimed following the practice dependent approach. Indeed, the Europe of nation states before the creation of the EU does not seem to resemble the state of nature out of which we have a reason to escape.

However, the changing nature of the global economic environment can rightly be said to pose a threat to the state's provision of social services and the fulfilment of its functions. European countries thus have an obligations to form the EU to the extent that this union can offer better prospects for the fulfilment of their duties toward their citizens. As part of the EU, the EMU can then concur to the achievement of this goal, by guaranteeing the smooth functioning of the currency area. If our analysis is correct, then it seems right to say that the way MS can fulfil the obligations toward their citizens is by being solidarity with the citizens of other European countries.

Chapter 4: Why not other principles?

A reasonable objection to this account of solidarity in the EMU, would be to claim that being it an *economic* and *monetary* union, MS should not care about nothing more than their economic gains. According to this objection, MS should be seen as shareholders maximizing their expected gains. Each one would be willing to put some resources on the table, provided a return comes each period, but there would be little concern about what other shareholders do, since that is simply their own business.
Each member would also be free to leave whenever it pleases, since the whole venture would be founded with the spirit of a contract between business people. If a country lags behind the group or is in financial trouble, so be it: each one is responsible for himself.
Could the EMU survive when conceived and set up as a business partnership? There are strong reasons that points toward a negative answer to this question.

The problem with seeing the EMU as a business partnership is that it would give rise to obligations that are not congruent with the kind of institutions that characterize the EMU.
Sharing a currency and being part of the same custom union create interdependencies among countries that, if not mediated by solidarity, would result in certain MS persistently losing out with respect to others. Richer MS would use their resources and enact policies following pure self-interest and without considering the actions of others, which would lead to some MS being arbitrarily interfered with. These kinds of arrangements would not be politically sustainable and would convince MS to opt out.

Simply put, if the EMU was seen as a business partnership it would fail to be faithful to its point and purpose, which highlights convergence as one of its founding principles, together with a high degree of social protection.

5. Conclusion

This work has argued that European MS owe each other duties of solidarity, which arise out of their economic interactions as participants of the EMU. Solidarity is what the EMU as an institution composed of autonomous, yet interdependent states needs, as it lies between the obligations toward co-nationals and the deleterious self-interest of a business partnership.

This argument was constructed by first clarifying the concept of solidarity and then applying Sangiovanni's conditions to the kind of project the EMU is and the way it makes its participant interdependent. It was claimed that the goal of the EMU is a shared goal requiring joint action and that the activities MS should perform to make it work qualify as solidarity actions, since they imply the sharing of MS's fates in ways that mesh. We concluded from this that the EMU can be a fertile ground for the application of solidarity. We then provided the moral reasons for MS to be in solidarity clarified their dependence on the EU project being a normatively valuable one. Finally, we asked if a principle different from solidarity could perform the same function. It was argued that if MS see themselves as business partners they will not ba able to fulfil the purpose of the EMU and, therefore of the EU.

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