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# Is the EU’s 750 Billion Recovery Fund a ‘Hamiltonian moment’?

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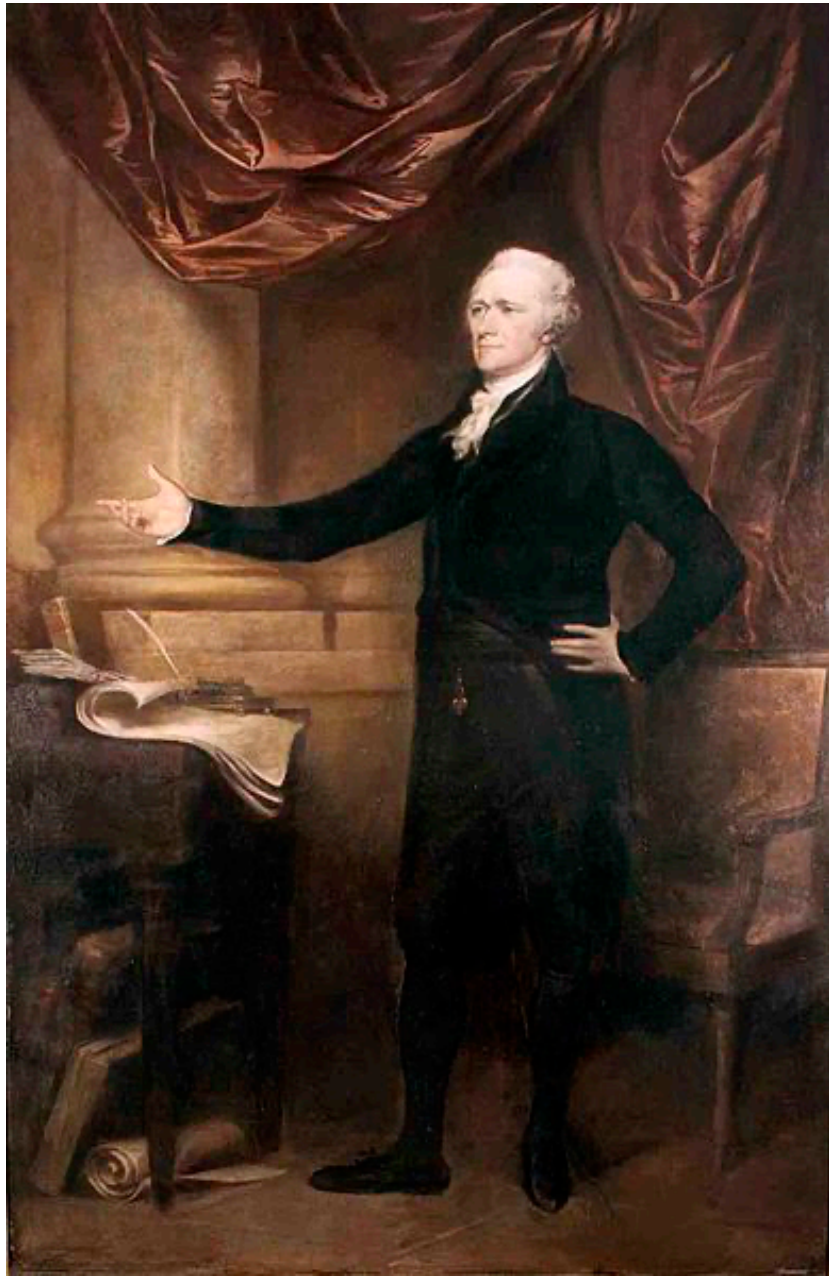
by Leo Klinkers |

The Federal Alliance of European Federalists (F.A.E.F.) was founded to develop more strength for the creation of the United States of Europe through federating and educating the federalists. Regularly publications appear suggesting that the European Union resembles a federation, or that the Union takes measures that have a federal character.

This suggestion once again pops up now the European Commission has proposed to make EUR 750 billion available as a joint fund to be borne by the EU for the recovery of Member States whose economies have been severely damaged by the Corona crisis. It elaborates on the proposal made by Germany and France on 18 May 2020 to create a joint debt fund. In the *Liberation* magazine of 27 May 2020, Jean Quatremer follows the Anglo-American press which characterizes that proposal as a 'Hamiltonian moment'. What is meant by this? Look at this paragraph from Quatremer's article (translation LK from French to English). It is a good example to elaborate on some key aspects of federalism. I have provided two sentences with the figures [1] and [2] that I discuss underneath the quote.

*"In this dizzying package, the most important element is obviously the partial pooling of future debts, which will relieve the national public accounts. We should not be mistaken about the historical importance of this innovation, which, just two months ago, was unthinkable: in fact, the capacity for indebtedness and therefore budgetary autonomy are one of the essential attributes of a State. When Germany rallied to the French idea of creating a common debt on 18 May, the Anglo-American press spoke of a "Hamiltonian moment" for Europe. This was a reference to Alexander Hamilton, the first Treasury Secretary of the fledgling United States, who in 1790 [1] succeeded in convincing Congress to create a federal debt, thus tipping the American confederation into federalism. [2] This is exactly the same path that the Union is following."*

[1] Alexander Hamilton co-authored the 85 Federalist Papers (1787-1788) with James Madison and John Jay. This is the famous work on the essence of the American federal constitution. That federal constitution was designed by the Convention of Philadelphia between May and September 1787. It is the first federal constitution in the world, consisting of 7 articles. The seventh and last article states in paragraph 1: *"All debts entered, and engagements contracted by States before ratification of this Constitution will remain valid within the American federation."* It says here: 'The debts of the states that decide to ratify this constitution are, from that moment on, the debts of the federation'. So, ratifying states start debt-free with a clean financial slate. Between September 1787 and June 1789, all thirteen confederate states joined the federal USA.



It is not Hamilton's merit in 1790 that he convinced the Confederal Congress to create this federal debt; the 55 members of the Philadelphia Convention had already laid down this in article 7 of the federal constitution in 1787. The Confederal Congress was replaced by the Federation of the United States of America in 1789. Hamilton had the honor of filling the state treasury with taxes and levies in 1790 as Minister of Finance in order to enable the federation to effectively take over the debts of the thirteen member states. So, it was not Hamilton who took the step from confederation to federalism in 1790, but the Convention of Philadelphia in 1787. By the way, it was James Madison who, in Paper 43 of the Federalist Papers (i.e. before 1790), discusses this radical solution of the debt issue on the basis of that article 7 of the federal constitution.

[2] The sentence that the EU with this Recovery Fund follows exactly the path from confederalism to federalism is incorrect. The path that the EU is following is in no way of a federal nature. It is not 'Hamiltonian' at all. In fact, this conceptual mistake could lead to the downfall of Europe as a time bomb if it is not defused in time. Once again, the Union is attempting to repair the negative effects of a Eurozone and a Euro which are not the result of a federal constitution but of the intergovernmental control of the EU. That type of control is filled with systemic errors. Any attempt to repair the negative effects of systemic errors only leads to more systemic errors. And ultimately to implode or explode the EU system.

The order of correct constitutional and institutional action will always have to be: "Thou shalt first make a federal constitution and only then establish institutional bodies and take procedural measures." What the Union is now proposing is to enable the European Central Bank to release 750 billion for a fund to take over the debts of ailing states, guaranteed by the Union of 27 Member States without a federal constitution as a foundation. This proposal is the same as sending a space shuttle into a black hole; that shuttle will never return.

The idea of a common debt relief fund for member states is perfect as such. This is what we as the Federal Alliance of European Federalists (FAEF) also propose by applying Article 20 of the Lisbon Treaty: to have a group of nine member states conclude an enhanced form of cooperation in the form of a federation that then joins the EU as a member. This implies: first a federal constitution of, by and for the people; only then the application of the article that allows the nine member states to join the federation debt-free. This debt extinguishment is included in article 10 of our draft federal constitution.

The course of action now proposed by the Union without legitimizing it in a federal constitution is extremely irresponsible. It is an extrapolating continuation of the error of the Maastricht Treaty (1992) when the Eurozone and the Euro were created without a federal foundation. For further explanation of this thesis I refer briefly to my article *To err is human but to persevere in error is diabolical. Observations on the Conference on the Future of Europe 2020-2022* in Europe Today of 29 May 2020.

This example on the EU Recovery Fund shows how important it is to present facts and concepts on federalism in good order. It is a task that the Federal Alliance of European Federalists is happy to take on.

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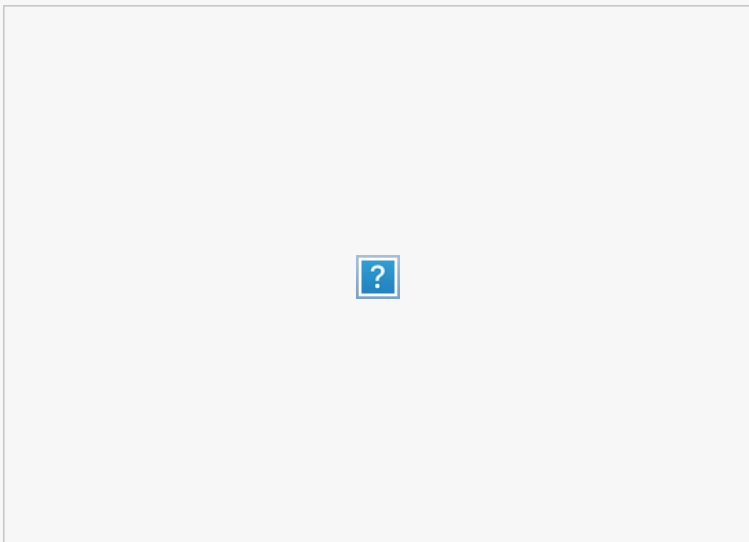
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