



Eurobonds are no longer about (just) solidarity

Description

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Europe's monetary union still rests on an institutional contradiction: monetary policy is centralised while fiscal policy remains national. That may have been politically expedient at Maastricht, but it was never an economically complete design. One continually faces, therefore, the question of how long the euro can rely on a single central bank and a cluster of national sovereign balance sheets whose credit risk diverges in every crisis. Once the currency is federal, some common fiscal capacity and common debt issuance stop being ideological luxuries. They become the missing half that EMU desperately needs.

Why has it not happened?

Yet the countries that have traditionally blocked Eurobonds were never simply irrational or mean-spirited. Europe's core political obstacle is the fear of *persistent, unidirectional transfers*. That fear is rational in democratic politics. Northern taxpayers were asked to hear the moral case for risk-sharing, but rarely the commercial or strategic case for themselves. "Accept more liability so others can catch up" will work occasionally, but not all the time. Without an explicit gain for these states, mutualisation looks like a transfer union by stealth. A permanent common debt instrument cannot be sold as virtue alone. Those asked to bear more contingent risk must also see a clear first-order upside.

What Europe has mutualised so far?

The EU's experience with mutualisation so far has followed the objective of solidarity. The long-standing rationale of the EU's cohesion policy is to reduce regional disparities, which, in turn, will reinforce the single market. The pandemic-era rationale for NextGenerationEU and the Recovery and Resilience Facility was emergency solidarity to cushion the economic and social shock of Covid, for those who were hit the hardest. The objectives of convergence and crisis relief were, and remain, legitimate. That was enough in a pandemic. It is not enough, however, in the age of fragmentation, industrial policy and economic coercion.

The new case: European public goods, scale and protection

Now the rationale is different, and arguably stronger, when the EU's security, economic and otherwise, is at stake. The new demand for mutualisation is not redistribution; it is achieving scale and reducing uncomfortable dependencies through capacity building. Many have made this point. The [IMF](#) has argued that the next MFF should prioritise EU public goods such as energy security, climate mitigation, defence and R&D. [Mario Draghi](#) has put the scale of the problem at an additional €750bn-€800bn of investment a year and argued that key European public goods – including breakthrough innovation and cross-border grids – will require joint funding. The [Eurogroup](#) has arrived at much the same conclusion: European financing should focus on areas where public goods are best delivered jointly. The [European Commission](#) is already moving in that direction with its proposed European Competitiveness Fund and broader plans for defence, military mobility and energy interconnections. This is not solidarity in the old sense. It is Europe's attempt to regain scale, raise productivity, and protect itself in a more volatile and dangerous global environment.

If that is the purpose, the design must change too. Countries asked to bear more risk from common borrowing should be first in line to capture its benefits. That means ringfencing Eurobonds proceeds for genuine European public goods, not current spending.

It means allocating funds competitively rather than geographically, with the industrial north benefiting the most from such funding. And it also means strict governance: common debt should finance assets with measurable European spillovers.

This is the only way of making the issuance of common debt politically feasible. The remaining question, however, is whether the rest of Europe, those that are traditionally in favour of Eurobonds, would be ready to accept such use and distribution of Eurobonds as a necessary condition for their issuance.

The answer ought to be positive for two reasons. First, they would be able to borrow at lower prices themselves, and second, they would benefit from the provision of European public goods, provided they have measurable spillovers of scale.

It is not solidarity that drives the discussion this time, but mutual self-interest.

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