

How Should the Benefits and Burdens Arising from the Eurozone Be Distributed amongst Its Member States?

¿Cómo deberíamos distribuir los beneficios y cargas derivados de la Eurozona entre sus estados miembros?

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Abstract. This article asks how the costs and benefits of operating a monetary union should be distributed amongst its more and less competitive members, taking as an example the operation of the European Monetary Union (EMU or Eurozone). Drawing on existing domestic and transnational justice debates, I resist both a purely procedural and a purely distributive view. The former assumes treaties against a fair background can make any distribution fair and disregards how individual citizens are likely to fare depending on how a monetary union is organized. The latter requires justice amongst Eurozone co-citizens, and it neglects the value of member states' choices and attitudes towards risk. Instead, I defend a view of the EMU as an association of free self-determining states. I also argue that a variety of factors are relevant to this problem, including the need to protect less competitive states from 'domination', or inappropriate forms of control by their co-members, and to protect citizens from various forms of deprivation even if their own governments are willing to expose them to the relevant risks.

Keywords: Eurozone, Distributive Justice, Egalitarianism, Collective Self-determination

Resumen. Este artículo se pregunta cómo los costes y beneficios de una unión monetaria deben ser distribuidos entre sus estados más y menos competitivos, tomando como ejemplo el funcionamiento de la Unión Monetaria Europea (EMU o Eurozona). Partiendo de los debates de justicia nacional y transnacional, resiste una visión puramente procedimental y una visión puramente distributiva. La primera asume que los tratados aprobados de forma apropiada pueden hacer cualquier distribución resultante justa sin tomar en cuenta que la situación de los ciudadanos individuales depende de cómo se organiza la unión monetaria. La segunda requiere justicia entre los ciudadanos de la Eurozona y negligencia el valor de la libertad de elección y las actitudes de los estados miembros ante el riesgo. Por contra, defiende una visión de la EMU como una asociación de estados con libertad de autonomía. También argumento que una variedad de factores es relevante para resolver este problema, incluyendo la necesidad de proteger a los estados menos competitivos de la 'dominación' o de formas inapropiadas de control por los otros estados miembros, y proteger a los ciudadanos de varias formas de privación, incluso si sus gobiernos prefieren exponerlos a dichos riesgos.

Palabras clave: Eurozona, Justicia distributiva, Igualitarismo, Autodeterminación colectiva

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Introduction

Until the Euro crisis (2010-2012) that followed the global financial crisis of 2007-9, political philosophers paid more attention to the democratic deficit of EU institutions than to its justice deficit. However, political philosophers started to discuss these issues recently. Sangiovanni (2016), for example, proposed an insurance scheme to distribute the benefits and burdens arising from EU integration amongst member states. Van Parijs (2016) has proposed a basic income for all EU residents to remedy the vicious spiral that led to high levels of unemployment in the less competitive countries of the Eurozone. Indeed, Viehoff (2016) argues that those who endorse a federalist view (Morgan 2011, Van Parijs 2015) of the Eurozone and those who believe that we need to protect the national self-determination of member states should agree on the Eurodividend to cope with the existing injustices (Viehoff 2016).

The creation of an international institution like the Eurozone has exacerbated severe asymmetries between member states with different levels of competitiveness. The latter have surrendered autonomy over monetary policy and during the Euro crisis, sovereign debt crises in several countries proved that states with neither their own currency nor their own central bank were less likely to overcome financial troubles (Pistor 2013). European integration creates costs and benefits for the participants, and the financial crisis in the Eurozone caused severe distributional consequences. Because of asymmetries exacerbated by the common market, the common currency, and the common monetary policy, less competitive countries become worse off than others over time (Feldstein 2012). In particular, the Euro-crisis worsened the situation of the least advantaged members of these countries.

Member states voluntarily created an international institution like the Eurozone to promote their mutual advantage and decided that the costs borne in generating this surplus are to be offset via intra-state solidarity. The currency union has several advantages as those arising from the common currency being adopted by other countries as a reserve currency. In addition, economic efficiency can benefit from reducing the transaction costs associated with international operations and removing the uncertainty associated with exchange rate fluctuations (Van Parijs 2016). However, European integration creates costs as well as benefits for the participants. With the fixed exchange rates entailed by a common currency, devaluation is not an available option. The trade imbalance induced by the divergence in competitiveness amongst member states was reflected during the Euro crisis in increased unemployment and its various unwelcome consequences for the less competitive members (Feldstein 2012).¹

Several questions arise from these discussions that have consequences for a plausible conception of the distribution of the benefits and burdens derived from the creation of the EMU. I am going to focus on two of them. One is whether the distribution of benefits and costs arising from the EMU should compare member states' wealth or take EMU co-citizens

1 Provided that they couldn't make adjustments with their own currency or central bank, the least advantaged members of these countries were less well protected from unemployment and recession. No other mechanism to protect them from these evils was in place in the European Monetary Union. At this stage, 2010-12, the debate about the Eurobonds started, and it continues today. As I will explain later when discussing the problems of a defective Eurozone, the ECB has taken several steps forward to avoid future sovereign debt crises of member states, mechanisms that also have consequences for distributive justice.

to make interpersonal comparisons of well-being or any other currency of egalitarian justice that one might endorse. Accordingly, if one favors the former, the surplus generated by EMU integration should be distributed amongst member states. In contrast, if one adopts the latter, the EMU should guarantee justice amongst EMU co-citizens.

Secondly, we might ask whether the Eurozone should distribute this surplus or these common funds amongst member states without conditions or with strings attached that guarantee that they comply with their internal demands of justice. We might think that we should respect member states' self-determination and let them freely decide how to distribute the surplus internally and what risks to take when making agreements with other member states. This paper will examine how we should distribute the benefits and burdens of operating the EMU and will ask what member states owe each other and how to organize such a complex institutional structure to meet the demands of justice of the individuals within the member states.

Section 1 presents *the voluntarist view* (VV), which holds that if member states had fair initial background conditions and extensive powers to voluntarily decide to enter into agreements, whatever emerges from the use of these extensive powers is just and enforceable. This view governed the management of the Euro-crisis at least until 2012. Therefore, the approval of the Fiscal Compact limited not only the ability of member states to meet their internal demands of justice but also left many people in the least competitive states in conditions of insufficiency. Against this view, Section 2 presents *the fair adjusted procedural argument* (FAPA), which departs from VV and requires that the agreements to create a monetary union be constrained by the mandatory moral aim to guarantee a social minimum. The argument has to deal with a vital objection. If the EMU has to secure a social minimum for all EMU citizens, it might restrict member states' self-determination and liberty. Section 3 presents *the collective self-determination argument* (CSDA) and explores a different view of the Eurozone as an association of free self-determining states, in which each member state independence and collective self-determination must be preserved.

Section 4 presents *the luck sharing argument* (LSA), which focuses less on the conditions under which member states agreed to join the Eurozone and more on the possible effects of them doing so. One such argument focuses on the fact that the less competitive countries entered into the Eurozone without possessing, in effect, adequate insurance against the risk of a financial crisis that would leave many of their citizens in conditions of serious material deprivation and severely limit their capacity for collective self-determination. I argue that a scheme for distributing the costs and benefits of the EMU needs to ensure that no one in the Eurozone suffers from material deprivation and should also preserve the collective self-determination of member states. Finally, I will go into the mud and in Section 5 I will try to solve the problems of justice arising from a defective Eurozone ex-post according to Dworkin's principle of victimization. The argument limits the scope of the member states' liberties required by the LSA due to the unfairness of the initial background conditions of the EMU. Therefore, I will argue that no one should have less liberty of choice that it would have had if initial background conditions were fair and a defensible distribution had been in place during the Euro-crisis.

Except for this last section, the article considers the duties of distributive justice amongst EMU member states in cases of full compliance with principles of justice. However, in

some cases, I also consider problems in connection with partial compliance. For instance, when considering the shortcomings of the VV and the superiority of the FAPA. And also, when examining the failures of the CDSA that open the door for the LSA. Finally, section 5 addresses the problems of a non-ideal Eurozone and what duties arise from an initial defective design of the EMU.

1. The Voluntarist View (VV)

The creation of the European Union has been justified for the purposes of solving problems of coordination between the member states. First member states agreed to create a common market to avoid transactional costs derived from custom duties. The voluntary integration process, always pursuing enhanced economic efficiency, led eventually to the creation in 1999 of a common currency and monetary policy, the European Monetary Union (EMU) or the Eurozone, to avoid the costs derived from exchange rates and divergent monetary policies.

Thus, we might see the EMU as a cooperative venture to generate a surplus and as such, we should ask how to distribute the aggregate gains it generates. Even we are not facing exactly the same concerns as in domestic justice — where, for example, we might aim to maximize the expectations of primary goods for the least advantaged members of society — a cooperative venture like EMU integration is one distributive problem that egalitarians should try to address. We might well consider the idea that the European Monetary Union is in some respects comparable to a cooperative scheme to distribute the costs of alleviating the plight of burdened societies, and so governed by some egalitarian or prioritarian principle to divide the surplus generated by European monetary integration. The distribution of the cooperative surplus generated by EMU integration according to some egalitarian or prioritarian principle has some appeal because it parallels one of the several types of reasons cited by Scanlon to care about equality; i.e. his claim that within certain cooperative schemes there are reasons to ensure each of the co-operators has an equal share in the surplus the scheme produces (Scanlon 1996, James 2012; see also Beitz 1979).

However, those who resist more egalitarian distributive principles in the Eurozone often appeal to member states' responsible agency, liberty, and collective liability. The voluntarist view (VV) claims that member states should often be at liberty to make their own decisions about how best to advance their aims, and that it is unfair to make member states liable to bear certain costs arising from other member states' decisions or to relinquish certain advantages gained through their own efforts. Member states voluntarily entered into international agreements and transferred sovereignty to EMU institutions to secure certain gains. This leads to a natural objection to the forgoing argument in favor of an equal distribution of the Eurozone surplus. Voluntarists claim that if member states had fair initial background conditions and extensive powers to decide to enter into agreements voluntarily, whatever emerges from the use of the extensive powers of the member states is just and enforceable.

Therefore, as the VV plausibly defends, we need to take into account the choices made by national states and their collective liability. We might think then that if we take interstate assessments between member states to distribute the cooperative surplus generated by EMU

integration amongst them, we are relying on a purely aggregative requirement of mutual advantage. As a result, it might be satisfied even if cooperation makes some worse off individuals much worse off. For this reason, the argument may seem under-inclusive because it leaves some types of injustice unaddressed. Moreover, the requirement might fail to be satisfied merely because cooperation reduces aggregate wealth by making many very well-off individuals worse off even though the condition of very badly-off individuals is improved to a slightly smaller degree. As a result, the argument may be over-inclusive because it disfavors such a change even though many egalitarians might regard it as an improvement.

Thus, it seems that the argument for an equal distribution of the surplus generated through EMU integration does not provide reasons to oppose internal injustice. To correct this omission, we should then, draw a distinction between views that construe a fair share as just an aggregate sum that some collectivity has discretion to distribute amongst its members in ways it decides and (more credible) views that distribute the sums with strings attached, or conditions regarding distribution amongst the individuals who comprise the collective. A minimal version of the second type of more complex view would require no individual to suffer certain forms of absolute deprivation.

2. The Fair Adjusted Procedural Argument (FAPA)

To begin with, we start with the voluntarist view. Consider first Robert Nozick's idea that provided the principle of acquisition is satisfied, a transaction is voluntary in a sense that renders a transfer enforceable as long as the owners of the rights involved assent to it (Nozick 1974). On this view, if the provision remains satisfied, all rights are alienable. And so, we can conclude that if member states consented to enter into an international agreement to create the Eurozone and transfer a part of its sovereignty to European institutions like the European Central Bank (ECB), justice remains purely procedural and whatever emerges from the use of the extensive powers of the member states is just and enforceable.

To oppose to the voluntarist view, the first argument to justify a principle of fairness applying across member states of the Eurozone is the fair adjusted procedural argument (FAPA) that tries to combine the member states right to commit to distributions of benefits and burdens via treatise with *the pure distributive view* (PDV). The FAPA claims that to be legitimate the agreements to which the states consent must be constrained by some *morally mandatory aims*, like ensuring a social minimum for all the residents of the EMU, and this aim constrain state's freedom of contract and the content of international agreements (Christiano 2015). The argument accepts partially the voluntarist view and it assumes that the demands of distributive justice remain at least partly procedural. Member states are free to enter into agreements that influence the distribution of costs and benefits arising from the production of the Eurozone surplus.

Yet, the argument also takes the form of the pure distributive view (PDV) and requires distribution amongst European co-citizens. On this view, we shouldn't distribute this surplus amongst member states but amongst the citizens of the EMU. If we take a PDV of the Eurozone, like those that Viehoff (2016) calls *federalists*, we need to make interpersonal assessments between EU citizens taken one by one, because the justice deficit of the EMU consists

in the failure to contribute to a fair distribution of resources amongst European citizens (Van Parijs 2015). The PDV requires a scheme of mutual advantage amongst equal human beings and that leads to redistributing resources amongst EMU co-citizens instead of member states.

The FAPA insists that each state's powers to consent to binding agreements is constrained by the *morally mandatory aim* of preserving a social minimum appropriate for all residents in the Eurozone. Thus, the demands of justice amongst the member states of the Eurozone remain procedural insofar as they are negotiated and agreed amongst the parties but the procedure itself is adjusted in ways sensitive to satiable distributive considerations amongst co-citizens, which remain then a condition for the agreements to be binding and enforceable. Even there is no complete independent standard to assess the fairness of the overall agreement, the need to protect all Europeans from poverty and ensure a social minimum, is condition that can cancel, or undercut, for the validity of the agreements that create the Eurozone.

The idea that the Eurozone should provide a social minimum for all its residents is at least in one sense problematic. Replying to the FAPA, as an objection to a Eurozone social minimum, or a Eurodividend (Van Parijs 2016, Viehoff 2016), some critics might argue that it fails to ground redistribution across member states since individual states can themselves always provide a social minimum for their own citizens, provided they comply with their internal demands of distributive justice. If this criticism is sound, even if periods of recession call for austerity measures, member states can always secure a social minimum for their own citizens by imposing the costs of austerity on the section of the population above the social minimum, and ideally on the most advantaged individuals amongst it. Suppose, however, this section of the population declines to bear those burdens, for example, by voting against the increases in income tax necessary to fund the benefits and investment necessary to secure a social minimum for their less fortunate fellow citizens. Does this make a difference to what justice demands of individuals in *other* states?

According to their critics, the argument canvassed so far need to distinguish between changes in a member state's capacity to act justly towards its members and changes in its actual likelihood of doing so. The high levels of poverty in any member state might derive either from limited capacity explicable by international injustice and the regulatory framework of the EMU or from a lack of local solidarity between wealthy and poor citizens within a member state that constitutes domestic injustice. The fair adjusted procedural argument claims that member states should contribute to ensure that everyone enjoys a social minimum, but if a state fails to secure the minimum for its own citizens when it has the capacity to do so, why should citizens from *other* states be obliged to pick up the slack?

3. The Collective Self-Determination Argument (CSDA)

I've argued so far that the PDV is problematic because requiring central direction to implement a social minimum for all EMU residents is not sensitive enough to the choices of national states. Suppose, as the FAPA view argues, the EMU is responsible to guarantee a social minimum to every citizen in the Eurozone. In that case, Voluntarists might still claim that it is unjust to make member states liable to bear certain costs arising from other member states' decisions.

The Voluntarist View appeals to the responsible choices made by member states when using its extensive powers to enter voluntarily in a monetary union. The FAPA requires preserving some morally mandatory aims to make an agreement legitimate, like ensuring a social minimum for every citizen of the EMU. The FAPA might require that the distribution of the surplus amongst member states have some strings attached to ensure that member states comply with its morally mandatory aims, which is a condition for the legitimacy of such an agreement. I explained why this PDV can be problematic because it fails to be sensitive to member states' choices and attitudes towards risk. Now, I present a third view of the EMU, as an association of free self-determining member states. According to this view, the equal importance and collective self-determination of each member state must be preserved. EMU member states have a duty to transpose EMU directives and obey the decisions about monetary policy taken by the European Central Bank (ECB) for content independent reasons — that is, by virtue of their source rather than their content — (Dworkin 1986, 2000, 2003; see also Nagel 2005). They transferred part of its sovereignty, and not a minor part of it, but the control over their currency, and they are required to uphold EMU institutions. *The Associational View* of the EMU (AV) sees it as a political association requiring EMU institutions to express equal concern for each state. The idea here it is not that institutions need to distribute equally the surplus generated by EMU integration, but that we must look at the Eurozone as an association of free self-determining states subject to a common political authority, or in Dworkin's words, as an association of partners (Dworkin 2000: 6).

This kind of international association needs to express equal concern for every member state, and to do so, it must assign the principle of *ethical independence* to each of them. The latter principle claims that as long as member states have to make choices about the kind of community they want to become, the common sovereign must respect that each state is responsible for making those choices itself (Dworkin 2000). The collective self-determination argument (CSDA) suggests states need to have enough political power to be able to secure internal socio-economic justice. They need to have both effective *control over internal socio-economic dynamics* and *reasonable freedom from external interference* (Ronzoni 2009: 231). These are the conditions under which the coexistence of, and interaction between, independent member states can be justifiable, and the ethical independence of each state can be preserved in an association of partners. The argument can be framed in terms of procedural justice: we start from an existing practice where what matters is not that the relevant actors (individuals or states) be, substantively equal in wealth, say, but rather that they interact under certain conditions that, if maintained, will make any outcome of their interaction just (Dworkin 2000).

The challenge faced when the appeal to fair background conditions is extended from the domestic to the international case is to specify the conditions that must be preserved in the latter context. Considering the interdependence between domestic and global justice, Ronzoni claims that avoiding international background injustice may be required to ensure that states possess *effective sovereignty*. Ronzoni's argument also suggests states need to have enough power to secure internal socio-economic justice (Ronzoni 2009). They need to have both effective *control over internal socio-economic dynamics* and *reasonable freedom from external interference*. These are the background conditions under which the coexistence of, and interaction between, independent states can be justifiable (Ronzoni 2012).

If the Ronzonian argument is defensible, we need institutions to regulate international practices that would otherwise erode some state's positive collective self-determination. The CSDA wants to prevent domination of the less competitive member states by the wealthiest most competitive ones. We need to keep member state's independence, which amounts to involving a capacity to make voluntary collective choices, as we are transferring the principle of *ethical independence* to member states, too. Ronzoni's argument suggests that we have reasons to claim that even if the 'starting gate', or initial background conditions were fair, as argued by the VV, we should not accept a pure procedural conception of justice in the Eurozone. Instead, we must resist the argument that whatever emerges of the extensive powers of the member states is just and enforceable because we need to protect fair background conditions.

The need for institutions preventing domination does not mean that interdependence created by EMU integration interfering in member states' decision-making process makes any of the decisions taken by EMU institutions unacceptable or non-binding (Pettit 1996, Laborde 2010, Besson et al. 2009). We can identify some basic capabilities that need to be protected, and amongst them, a minimum democratic control is central, and access to basic socio-economic capabilities such as subsistence and health as well, since they are basic capabilities associated to the principle of ethical independence of member states (Laborde 2010). In this view, member states are responsible for satisfying sufficiency and guaranteeing that their subjects enjoy a social minimum.

However, some might argue that to question whether the less competitive countries' decision to enter the Eurozone is binding is objectionably *paternalistic* and overlooks the possibility that rights to a social minimum and to collective self-determination are alienable via exchange at least when there is a sufficiently good available alternative to the exchange, as seems the case. Suppose then that the less competitive states would not have sacrificed their basic needs to avoid deprivation and domination had they declined to join the Eurozone. Why not accept that they are empowered to gamble their security in order to obtain even greater gains from further European integration?

It seems, then, that it is at least disputable, as voluntarists might suggest, whether in order to make voluntary agreements member states can't risk sacrificing their basic needs (Waldron 1986). Voluntarists might deny the force of such argument because even if member states have the basic need to provide a social minimum to all its residents and preserve internal democratic control, it makes no sense to claim that in order to preserve their basic capabilities, a rule prohibiting member states stealing one from each other should not be enforced. Voluntarists might claim that it makes no sense to say that member states should not breach this anti-theft rule because the latter endangers their most basic need to provide a social minimum for all its subjects and their basic capability to make sound democratic decisions (Kukathas 1989).

If so, it is worth pursuing a different argument to question the existing design of the Eurozone, which focuses less on the conditions under which member states agreed to join the Eurozone and more on the possible effects of them doing so. One such argument focuses on the fact that the less competitive countries entered into the Eurozone without possessing, in effect, adequate insurance against the risk of a financial crisis that would leave many of their citizens in conditions of serious material deprivation, and severely

limit their capacity for collective self-determination. Does this risk call into question the legitimacy of their agreement?

4. The Luck Sharing Argument (LSA)

I started with the VV and then argued that the FAPA provides reasons to say that if the EMU wants to claim legitimate authority should comply with some morally mandatory aims like providing a social minimum for every citizen. That is, if the EMU wants to legitimately create duties of obedience for its subjects and use coercion to enforce such obligations, some minimal conception of justice should govern the distribution of benefits and burdens of the EMU surplus. However, I claimed that the PDV that makes direct interpersonal comparisons between EMU co-citizens fails to account for member state's ethical independence and self-determination. The difference between the PDV and the CSDA is that, in the former, the EMU needs to guarantee a social minimum, while in the CSDA, we try to maintain fair background conditions to protect member states' capacity to ensure its citizens meet some basic capabilities.

I will now attempt to provide a different reason to justify that the EMU and its member states need to guarantee a social minimum for every citizen in the Eurozone. Indeed, many authors find some plausibility in the objection that the equal distribution of the cooperative surplus generated by the Eurozone is a failure to protect adequately states from luck-based inequalities. The third argument we shall consider draws on this concern and claims that the agreement to establish and maintain just institutions for the Eurozone should include a *luck sharing* component. Finally, we remain in the associational view of the Eurozone, the idea that member states cooperate in obeying the ECB decisions and transposing the EMU directives for content-independent reasons. Similarly to the domestic case, the sovereign powers of the EMU require its institutions to affirm the equal importance of each member state that belongs to this association. Therefore, the principle of ethical independence of member states is central to this view of the EMU as an association of partners. However, contrary to what equality of resources requires in the domestic case, I will not argue for a full redistributive tax scheme funded with federal taxes that imitates an hypothetical insurance scheme. Instead, I will claim that this association of partners must be regulated by member states' actual preferences to insure against financial and debt crises. Then, I will consider which risks they would have taken had they been fairly situated. On the one hand, the aim is that any defensible distribution should adequately be sensitive to luck-based inequalities if it wishes to respect the ethical independence of member states and express equal concern for each of them. On the other, I claim that it must protect its citizens from material deprivation, a risk member states would not have taken if they were fairly situated. Since we look to the Eurozone as an association of free and legitimate self-determining communities, I will argue for an account of the duties of justice amongst them that satisfies two conditions. First, it needs to protect some state's positive collective self-determination. Secondly, it must protect member states of some risks, like a failure to protect their citizens of material deprivation; a risk they would have not taken if they were fairly situated.

According to Dworkin's classical theory of *equality of resources*, differences in option luck should not be compensated while we need to look at differences of brute luck in light

of insurance (Dworkin 2000: 73). Having two member states with the same risk of suffering brute luck and the same opportunity to insure against that risk, Dworkin strikingly concludes that if unfortunately the risk materializes and one of them has insured and the other not, equality of resources does not compensate from the former to the latter (Dworkin 2000: 76). The difference between them is a difference of option luck against a background of *equal opportunity to insure* which does not call for redistribution.

It is important to note that assumptions about economic liberty play a fundamental role in Dworkin's explanation of the way in which justice requires individuals to share in each other's fortunes. Equality of resources will compensate member states for misfortune in a way that depends on how actual member states, given their values and attitude to risk, would have chosen to exercise certain rights to purchase protection against misfortune (Williams 2006: 497-8). Thus, allowing enough margin for national choice we avoid the problems we recognized that central direction for the EMU social minimum would imply. Dworkin then might well assume that member states do have extensive powers to decide to enter into agreements voluntarily, and so seeks to secure "endowment-"insensitivity' in an "ambition-"sensitive' manner.

We might begin with the idea that member states were in a background of equal risk. Some might then claim that member states of the Eurozone decided not to insure against the financial crisis, because if they had wanted protection, then one easy way to buy insurance against the vicious spiral that led to high levels of unemployment in the less competitive countries of the Eurozone, was to decline to enter in the Eurozone and remain a full sovereign monetary state (Tcherneva 2016: 19).

Recall that under equal background conditions, Dworkin argued that when insurance is available differences in brute bad luck are matters of optional luck that do not call for redistribution (Dworkin 2000: 77).² Dworkin claims that, leaving *paternalistic* considerations aside, equality of resources would not support redistribution from the member state who had insured to the member state who had not if they are both harmed by the financial crisis, or if neither of them had insured against that kind of harm (Dworkin 2000).

Some egalitarians acknowledge that the latter position is problematic in cases of absolute deprivation (Anderson 1999), and they suggest a *sufficientarian* version of *egalitarianism* (Casal 2007³; see also Seligman 2007). As Andrew Williams describes it, on "this view, individuals have weighty claims against suffering certain forms of absolute deprivation that cannot be relinquished through voluntary decisions, no matter how favorable the background conditions" (Williams 2006: 501).

In light of this, we might think that if less competitive member states had a defective conception of justice, which at the end left some of their citizens in a situation of material deprivation, and decided not to insure against unwelcome unemployment caused by trade

2 Dworkin claims that "if everyone had an equal risk of suffering some catastrophe that would leave him or her handicapped, and everyone knew roughly what the odds were and had ample opportunity to insure...then handicaps would pose no special problem for equality of resources."

3 Casal claims that "it may be preferable merely to supplement luck egalitarianism with a sufficiency principle that tempers its concern for choice and responsibility. We might, then, favor a form of sufficiency-constrained luck egalitarianism, which allows that some inequalities in outcome may arise justly but denies that individuals' having less than enough is ever justifiable by appeal to voluntary choice."

imbalances in a monetary union with fixed exchange rates, justice still requires institutions to protect their citizens from absolute deprivation, even if member states faced favorable background conditions. Even if we assume that Southern member states do not act justly to protect their citizens from poverty or domination, and the differences between the most advantaged countries and the least advantaged ones are due to different option luck, the sufficientarian element within a plausible account of egalitarianism requires institution designers to protect their citizens from insufficiency. Thus, this argument favors the distribution of the EMU surplus with strings attached, or conditions to ensure sufficiency in each member state, and limits the scope of the CSDA view and the need to protect internal and external self-determination of member states.

However, sufficientarian egalitarians still face a dilemma between liberty and liability if they want to safeguard sufficiency. Sufficientarian egalitarians might choose to *internalize* the cost of sufficiency, imposing the cost of insurance against insufficiency to the less competitive countries, and then limiting liberty, or *externalizing* such cost through general taxation across the Eurozone, and thereby hold states liable for other states choices as well as their misfortunes (Williams 2006: 501).

Member states could have agreed to impose on each other a duty to insurance against insufficiency when creating the EMU. Less competitive countries could have used a portion of the surplus generated by EMU integration between 1999 and 2007 to buy insurance against the risk of financial crisis and the unwelcome consequences of mass unemployment and poverty in their countries. Compulsory insurance has obvious advantages: it would ensure that every member state guarantees a social minimum, namely, the minimum that states are forced to insure for themselves. Furthermore, in extracting the funds to pay for that minimum from the imprudent member states themselves, compulsory insurance ensures that no one else is exploited in paying the costs of bad option luck (Bou-Habib 2006: 250).

Voluntarist might still argue that to have demanded member states to internalize such a cost is *paternalistic* insofar as it involves states forcing other states to treat their own members justly to at least a minimal degree. However, the enforcement of the EMU Treatises requires the cooperation of other member states and Shiffrin concludes that “viewing autonomous agreements as worthy of respect does not entail relinquishing one’s own capacities to exercise independent moral judgements” (Shiffrin 2000: 223-233). In that case, other member states *self-regarding refusal* to enforce immoral agreements is not paternalistic. The aim is not to protect the exploited party of the agreement, and substitute its legitimate sphere of autonomy, but third parties’ refusal is grounded in their reluctance to collaborate in a future enforcement of an exploitative agreement (Shiffrin 2000).

Moreover, the binding character of the current agreement and its enforceability might be questioned by arguing that group decisions can sometimes treat individual members sufficiently negligently so as to undermine the group’s normative power to bind itself via certain agreements. Pursuing this line, some might argue that democratically elected governments of some Southern countries were insufficiently solidaristic in their internal redistributive policies to possess the normative power to join such a highly risky venture as the EMU, at least under the terms set out in the Treatises and the Statute of the ECB that conditioned the Euro-crisis (2010-12). On this view, we should also question whether states should always be held responsible for their conception of justice when it becomes sufficiently defective.

When relatively affluent voters in Southern states are insufficiently concerned about their less fortunate poorer and younger fellow citizens to establish redistributive mechanisms to share with them the risks of a monetary union this has implications not only for the relations with their fellow citizens but also with citizens in more competitive countries, and the governments that represent them.

Even if it would be mutually advantageous to make agreements, they may lack the power to do so if it would come at a sufficiently high cost to the less fortunate members of these less competitive societies. Under such conditions, admitting those countries into a monetary union with a defective distribution of the surplus generated by the EMU that disregards the least advantaged citizens of these countries amounts to collaborating in the creation of serious domestic injustice. This casts doubt on whether states have the normative powers to make binding collaborative agreement and supplies weighty reasons to avoid exercising any such powers if they do exist.

Recognizing that the distributive problems raised by a monetary union cannot be solved purely on procedural grounds and by appealing to Treaties opens the door to questions about what member states do owe to each other when entering into the European Monetary Union. Surely, we have reasons to recognize that the citizens of the wealthiest states shouldn't collaborate with other member states that are committing serious domestic injustices, and that they owe something to the least advantaged members of those societies. But can we say more? Can we say anything about the current states of affairs and the situation of material deprivation that some citizens of the Eurozone faced during the Euro-crisis?

5. Addressing Injustice in The Real Eurozone (RRE)

Some member states run risks they would have not taken if they were fairly situated, and compulsory insurance had been in place since the creation of the EMU to protect member states from domination and from failing to secure a social minimum for all its citizens. A different question though is what should we do *ex post*? Some member states have gained from the existence of the Eurozone while others have lost from it, what kind of redistribution should we look for to compensate the injustices created by a defective Eurozone?

Affluent citizens in both most competitive and least competitive states of the Eurozone are much better off and the less fortunate citizens of the least competitive countries much worse off than what equality of resources would permit. If we want to know how the real Eurozone looks like, we need to see the design of the Eurozone and what caused the Euro-crisis. The reluctance of the member states and the ECB to expanding money supply to guarantee the demand and liquidity of the public debt of certain member states provoked a vicious spiral. Starting with the solvency problems of the Spanish financial system, it deteriorated the rating of Spanish public debt, which in turn increased Spain's risk of default. Due to the impossibility to obtain liquidity from the ECB, Spain and other member states had to accept a bailout from other EMU countries. They also had to accept the Fiscal Compact and assume severe economic policy restrictions to ensure budget discipline and austerity.

Not even the bailout was enough to stop the vicious spiral of financial collapse and the risk of default. Without the services of the ECB and due to market pressures over the

Spanish public debt, there was no way to guarantee the solvency of the public finances of Spain. In the end, Draghi came out and made his famous statement that he would do anything necessary to save the Euro, and he added: "Believe me, it will be enough." The ECB then launched the Outright Monetary Transaction Program (OMT), which was designed to massively buy the member states' public debt, including Spain and other troubled ones like Italy and Portugal, except Greece. The OMT program was enough to stabilize the demand for the bonds issued by the governments of these member states. Indeed, this emergency policy was necessary to save the euro and fulfill the primary objective of the ECB to guarantee price and financial stability. Still, it is quite plausible to say that it went beyond what is set out in the Treatises and the Statute of the ECB.⁴ With the pandemic, the ECB has reacted quite fast, launching the Pandemic Emergency Purchase Program (PEPP), to support member states' fiscal policy to face the crisis created by covid-19. In turn, the EMU has lifted budget restrictions and debt limits previously enforced on member states through the enforcement of the Fiscal Compact. The EMU has even taken a step forward and the European Commission is issuing bonds to finance these programs.

I've argued that the EMU should share its fiscal potential with strings attached according to the LSA view. For example, imposing compulsory insurance on member states to protect themselves against future misfortune that can leave the least advantaged members of these societies in a condition of material deprivation or insufficiency. However, we might still wonder how should we deal with the injustices created during the Euro-crisis (2010-2012) and how to repair them. When addressing the problem of the real-world, Dworkin (2000: 173-175) argues, the unfair advantages of unjust wealth can then be limited by prohibiting the rich from exploiting their wealth in certain directions. If we come back to the Euro-crisis (2010-12) the arrangements of the EMU that were in place, even if voluntarily created by virtue of an international Treatise according to national preferences, constituted unfair initial conditions. Therefore, I claim that according to Dworkin's view, member states' freedom of choice can be limited as a legitimate means of improving equality that corrects the injustice created during the Euro-crisis. Even more, in this case justice might require holding member states liable for other states' choices and their misfortunes.

According to Dworkin's *principle of victimization*, I argue that a liberty deficit occurs when within an association of free and legitimate self-determining communities a significant part of its population suffers a loss of power to do what it had the power to do following a just distribution of the benefits and burdens arising from the creation of an international organization like the Eurozone (Dworkin 2000: 175). The severe injustices we faced in the EMU during the Euro-crisis allows us to restrict the principle of ethical independence that in the ideal Eurozone protects member states' choices and liberty. For example, by turning the bailouts approved during the Euro-crisis into a common perpetual fund of the EMU. This refinancing of the debt is, of course, a restriction of member states' autonomy. Still, it is nevertheless a condition for the just distribution of the benefits and burdens arising from the defective initial design of the EMU.

4 In the end the European Court of Justice deemed that this falls into the mandate of the ECB to maintain price and financial stability. See European Court of Justice (C-62/14).

Conclusion

In this article I clarified the arguments in favor of procedural and distributive views of the EMU. I had two main worries: the preservation of member states' self-government and ethical independence and the need to protect EMU citizens from deprivation. Arguably, what I called the VV, a purely procedural view, dominated the negotiations of the Euro-crisis until 2012. The first argument to combat this VV I've defended, the FAPA, requires that EU and EMU Treatises fulfill some morally mandatory aims such as providing a social minimum for all EMU citizens if they want to claim legitimacy and create duties of obedience for its subjects. However, I detected a problem with purely distributive views, such as distributing a social minimum amongst EMU co-citizens, which were related to forms of domination and undermining member state's self-determination. The CDSA aimed at protecting member states' collective self-determination. Thus, the argument claimed that member states should have both effective control over internal socio-economic dynamics and reasonable freedom from external interference if we need to maintain fair background conditions. Nonetheless, I concluded that the CDSA is objectionably paternalistic and overlooks the possibility that rights to a social minimum and to collective self-determination are alienable via exchange at least when there is a sufficiently good available alternative to the exchange.

The LSA tried to combine distributive concerns with member states' liberty of choice but became problematic unless we complement luck egalitarianism with sufficiency for EMU co-citizens. I argued that individuals have weighty claims against suffering certain forms of absolute deprivation that cannot be relinquished through member states' voluntary decisions, no matter how favorable the background conditions were. Therefore, I defended demanding that member states internalize mandatory insurance costs to ensure that their citizens do not face conditions of material deprivation. Compulsory insurance opens the door to make distributions of the EMU surplus conditionally, with strings attached, to internalize the cost of insurance against insufficiency.

Finally, the RRE argument argued for more restrictions on the liberty of member states than the LSA given the current injustices in the Eurozone. The principle of victimization thus is helpful to demand the most competitive member states to reverse the harmful effects of the Euro-crisis since these initial arrangements constituted unfair starting conditions. All the arguments proposed here, except the VV, support more solidarity amongst member states and more redistributive policies. This is so because we should see the EMU as an association of free-member states, partners, that nevertheless share some luck. Suppose we look at the Eurozone in this way. In that case, we should not be concerned only in protecting member states' self-government but also about citizens being protected against some kinds of deprivations.

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