

New Perspectives for the EU after the Financial Crisis

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Review Essay

Turbulent and Mighty Continent: What Future for Europe by Anthony Giddens. Cambridge: Polity, 2013. 224 pp., £16.99 hardcover 978 0745680965, £9.99 paperback 978 0745680972, £7.49 e-book 978 0745681276

The Future of Europe: Democracy, Legitimacy and Justice after the Euro Crisis edited by Serge Champeau, Carlos Closa, Daniel Innerarity and Miguel Poaires Maduro. London: Rowman and Littlefield, 2014. 304 pp., £75 hardcover 978 1783481125, £24.95 paperback 978 1783481132, £24.95 e-book 978 1783481149

Challenges for Europe in the World, 2030 edited by John Eatwell, Terry McKinley and Pascal Petit. Farnham: Ashgate, 2014. 408 pp., £72 hardcover 978 1472419255, £25 paperback 978 1472419262, £25 e-book 978 1472419279

These three books are published at a crucial time for the EU, which has been embroiled in a profound internal crisis since the onset of the economic turmoil that resulted from the financial crisis in the US in 2007–08. The partial collapse of parts of the US financial sector rapidly spilt over into European economies and particularly affected parts of the eurozone, where individual countries were plunged into severe debt crises. The eurozone crisis substantially changed the EU's internal dynamics by pushing Germany into a position which Willie Paterson characterised as the EU's 'reluctant hegemon'¹. Based on its relatively strong economic performance during the crisis Germany was forced to adopt a leading role in determining the EU policy response to the increasing instability in the eurozone. The German Chancellor Merkel subsequently pushed the rest of the EU to adopt multiple new layers of policy coordination. Merkel was primarily concerned with restoring the dwindling levels of market confidence in the eurozone. She therefore successfully promoted a new policy framework for the EU which is strongly characteristic of the principle of ordoliberalism, the core feature of Germany's post-Second World War national political economy.

The ordoliberal culture aspires to combine economic liberalism with social cohesion but strictly on the principle of central bank independence and monetary stability.² Merkel emphasised that the ultimate purpose of the post-crisis policy mechanisms would be to instil a culture

of long-term budgetary and macroeconomic stability in the eurozone and beyond. In 2010 Merkel and a more reluctant French president therefore led the way towards the implementation of the European Semester, the annual cycle of budgetary and macroeconomic policy coordination and supervision under the Europe 2020 Strategy. This was followed in 2011 by the Euro Plus Pact which determined even deeper policy coordination between the eurozone core and aspiring future members, and finally by the intergovernmental treaty on stability in the eurozone (the Fiscal Compact), signed by 25 member states and vetoed in its original form by the UK. The treaty requires signatory countries to implement a debt brake in their national constitutions.

The strong focus on fiscal solidity and macroeconomic stability in these mechanisms resulted in the obvious neglect of the social aspects of postcrisis consolidation. The latter appear in the form of concrete but rather unrealistic targets under the Europe 2020 Strategy, especially given the strict budgetary limits that have been imposed on the eurozone since the onset of the crisis. Moreover, the eurozone and wider EU postcrisis policy mechanisms are widely considered to be part of an increasingly technocratic and opaque web of elite-driven governance which lacks transparency and democratic accountability.

The changes in the EU's mode of governance and the resulting problem with the lack of democratic accountability has so far been widely neglected in the literature which analyses the effects of the financial crisis. The book by Anthony Giddens makes an important contribution in this respect as it analyses the effects of the changes in the EU's governance since the onset of the crisis. Giddens argues that under the crisis conditions the EU has witnessed a shift from its traditional mode of governance (EU1), which was essentially the traditional community method of uniform and collectively agreed integration driven by the Commission, towards a new form of governance (EU2). The latter is characterised by a more flexible and informal approach with a shifting set of actors determining the leadership at certain periods in time, such as Germany, France, and the European Central Bank, and (to a lesser extent) the European Commission

during the eurozone crisis. The main problem Giddens identifies in the EU2 approach is the lack of long-term strategic planning and the failure to ensure that policies are founded on public participation and support.

Giddens rejects the notion that the 'citizens' initiative' under the Lisbon Treaty, which introduced the possibility for individuals to present a public petition to the European Commission which subsequently has to be considered as a legislative initiative, is a sufficient tool to ensure that the public engages with the EU. Instead Giddens calls for 'bottom up' reforms of the EU's governance structure, which ensures that public involvement in the EU's decision-making process is constant and 'not confined to occasional consultations or even to elections' (p. 43). Giddens criticises the EU for having adopted an approach where it thought that progress could be made without public support. Giddens advocates the move towards the deeper political federalisation of the EU on the basis of enhanced levels of legitimacy and with a clear purpose, in essence what he calls a 'Community of Faith'. He considers this new mode of EU governance, which he brands as 'EU3', as one that depends on strong political leadership that works towards restoring the EU's economic power on the basis of a reinvigorated and globally competitive European social model.

Giddens's book nevertheless does little to critically scrutinize the details of the emerging postcrisis EU governance policies. Instead he concentrates predominantly on the EU's wider policy challenges in terms of economic development, environmental sustainability and external relations. In this respect the book lacks a deeper engagement with the crucial challenge of the details of institutional reform. Giddens emphasises that it is not the purpose of the book to pursue such an analysis. Given the increasingly complex interaction between the eurozone core and the rest of the Single Market under the new policy mechanisms, Giddens should however have spent more time discussing how these can be brought in line with his overall claim that future integration must proceed alongside a 'single path' rather than on the basis of the current variable geometry of integration. In spite of these shortcomings, Giddens' book represents an essential and overdue contribution to the debate on the future of the EU from a prominent scholar whose work continues to have a profound impact, not only in academic circles but also among political circles in the EU.

The edited collection by Champeau et al. is the most up-to-date and one of the most detailed analyses of the effects the eurozone crisis has had on the EU's democratic governance, legal framework and overall legitimacy. The book is divided into three sections, each with an emphasis on different aspects of the implications of the crisis. The contributions in the first part concentrate on the overall interpretation of the crisis, the second part of the book discusses its political and constitutional

effects, while the concluding third part offers perspectives and proposals for the future development of the EU. The volume benefits substantially from the fact that the editors managed to obtain contributions from leading experts in the field of EU studies, as well as a number of practitioners with profound experience in national and EU level governance. The book offers a wide range of contributions which stretch from rather optimistic assessments of the EU's future perspectives in the aftermath of the eurozone crisis towards rather pessimistic outlooks. The contributors in Part I uniformly point towards the problematic aspects of the EU's postcrisis political settlement, especially regarding the absence of the clear division of powers and effective mechanisms of public scrutiny. Fabrini, Closa and Bengoetxea still remain optimistic that the new system of governance can be made to work. They uniformly take the view that the EU needs to look towards developing mechanisms which, even under conditions of deeper political integration, allow a certain degree of differentiation between member states. Most of all the EU needs to ensure that it concentrates on re-engaging the public with its policy process by introducing new mechanisms of public consultation such as, for example, a transnational public democratic forum, as is proposed by Bengoetxea.

The contributions in Part II of the book are less optimistic about the EU's ability to regain its overall purpose and ultimately greater levels of public acceptance. The noticeable exceptions in this section of the book are the chapters by Wiener, Preunkert and also Innerarity. Wiener shows a firm belief that the EU's institutional culture remains solid enough to inspire not only Europeans themselves but also other regional organisations across the world. Preunkert and Innerarity consider the EU's system of multi-level governance to be capable to develop its own specific mode of democratic legitimacy and accountability in the future. In contrast, the other chapters emphasise the failure of the new modes of governance to fill the gap which has opened as a result of the decline of the traditional Community method (Joerges), the increasing legitimacy crisis of the EU – especially in the crisis countries who perceive it as being ruled by financial market interests and to be failing to deliver socially cohesive results – (Marder; Delanty); and the risk that populist or even extremist political forces may in the long run destroy the European ideal if political leaders do not address the EU's deficiencies in terms of political efficiency and democratic coherence (Champeau).

The chapters in Part III offer concrete proposals for the future development of the EU, which range from the acceptance of a multidimensional and relatively loose entity (Zielonka) towards a more comprehensive set of supranational policies which are based on transferring further powers towards EU institutions with the aim of

tackling the negative effects of the crisis beyond budgetary austerity (Maduro; Borrell), a comprehensive leadership agenda orientated towards building a genuine 'democratic supranational federation' (Eriksen) and finally the expansion of the EU's Lisbon 'citizens' initiative' towards a genuine mechanism of widened public participation in the EU policy process (De la Heras). Overall the book offers a valuable contribution towards stimulating the overdue debate on how to overcome the EU's internal crisis and to make it fit to face the challenges of the future. The main benefit of this edited collection lies in its focus on the constitutional questions the EU faces in the context of the tension between the increasing diversity of national interests and mounting internal as well as external challenges.

The edited collection by Eatwell et al., which emerged from an EU-funded interdisciplinary 7th Framework Research Project on the 'Challenges for Europe in the World 2030' (AUGUR) takes a more policy-orientated approach. It essentially defines the EU's political challenges for the next decade beyond the current Europe 2020 Strategy. The chapters in the book examine a wide set of policy issues, ranging from the EU's general governance framework towards economic, financial, environmental and social issues. All these are put in the wider global context. The main value of this collection lies in the rich set of data on the EU's current and projected future development that is presented to the reader as part of the detailed analysis of individual policy areas. In terms of the EU's internal governance the authors correctly identify the main risks in the form of a range of different potential future scenarios: the failure to consolidate the eurozone and the Single Market may lead to detrimental ripple effects which could result in the gradual unravelling of the EU. At the same time, the emerging differentiated development of integration in the eurozone (where the emergence of federalist political union is most likely) and the outsiders offer the prospect that national interests can be accommodated under an umbrella where the EU 'continues to play a central role in policies to support convergence within Europe and

cooperation with neighbours'. An interesting and potentially controversial scenario the authors propose in this context is the possibility that differentiated integration will not be limited to a eurozone core-outsider dichotomy but may ultimately result in the emergence of 'multiple currency areas where exchange rates adjust gradually' (Chapter 1, Eatwell, McKinley and Petit, p. 22). If the internal cohesion of the eurozone deteriorates further this may indeed turn out to become an inevitable scenario in future years. The effects on the overall unity of the EU under such conditions would yet be more than unpredictable.

It can be expected that the three books discussed here are only the beginning of what is likely to turn into a large set of academic and non-academic publications on the future direction of the EU in coming years. After what has to be considered as the most fundamental crisis in the history of the EU, the core question for observers of the European integration process is to what extent effective solutions can be found for the EU to achieve its wide-ranging internal and external ambitions under the adverse conditions of economic fragility, budgetary weakness and ever more diverging national interests. To this extent EU studies has started to become a discipline which aspires to find the right formula to square a circle of unprecedented challenges for the European continent.

Notes

1. Paterson, W. E. (2011) 'The Reluctant Hegemon? Germany Moves Centre Stage in the EU', *Journal of Common Market Studies*, 49 (Annual Review), pp. 57–75.
2. Berghahn, V. and Young, B. (2013) 'Reflections on Werner Bonefeld's "Freedom and the Strong State: On German Ordoliberalism" and the Continuing Importance of the Ideas of Ordoliberalism to Understand Germany's (Contested) Role in Resolving the Euro zone Crisis', *New Political Economy*, 18 (5), pp. 768–778.

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