

The Triple Crisis: The Euro, the European Union and Democracy in Europe

There is nothing new about crises in the process of European integration. One could even say that they have been an integral part of it and, moreover, they have had a positive effect.

Some 41 years ago, in an article revising the neo-functionalist approach, I imagined four successive 'good' crises that the EU might face in the future and that might drive the process further.¹ What each was supposed to do was to build upon frustrated or disappointed member expectations in the pursuit of some common objective. This would compel actors to redefine either the tasks or the level of authority (or both) of regional organizations by reaching a collective agreement that would "spill-over" into previously unsatisfactory or ignored policy areas. My fourth "transcending" crisis was virtually identical to what is presently occurring with regard to the Euro. In theory, I argued it should compel actors in member states: (1) to engage in more comprehensive policy coordination across sectors and policy arenas, thereby, institutionalizing at the supra-national level the mechanisms of policy harmonization, budgeting and taxation characteristic of a federal government and (2) to break out of

predominantly national political alliances and form more salient supra-national ones, thereby, laying the foundation for the establishment of the most important missing element in the Euro-polity, namely, a distinctively European party system. In short, this was supposed to be the crisis that would drive the EU from economic to political integration. Unfortunately, in practice, the outcome – at least, so far – has been the just opposite.

Could it just be that the 'good' crisis that I imagined forty some years ago has turned out to be a very 'bad' one? For not only is the crisis of greater magnitude at the supra-national level than expected, but it also seems to have penetrated much deeper and more negatively into national political institutions and public opinion. It is even plausible to image a vicious triangle emerging: first, the collapse of the Euro; then, the collapse of the European Union and, finally, the collapse of democracy in its member states. Let us look at these three crises to assess how serious are their implications and how closely they may be related to each other.

The Euro-Crisis

The Euro-crisis runs deeper and long precedes the decision to establish a common currency and it is related to a fundamental and irreversible rupture of the social contract. Globalized finance capitalism has made it impossible for states to raise sufficient revenues to cover the expenses of such a contract – so they have to borrow and borrow more to meet the expectations of their citizens. The level of taxation on middle and lower

¹ "A Revised Theory of Regional Integration", *International Organization*, Vol.24, No 4 (Autumn 1970), 836-868. Also published in L. Lindberg and S. Scheingold (eds.), *Regional Integration: Theory and Research* (Cambridge, Mass.: Harvard University Press, 1971), 232-265.

Konrad-Adenauer-Stiftung e.V.

BRAZIL

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September 2013

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classes has reached the saturation point and it has become impossible to tax the rich since they have so many means of hiding income or shifting it to foreign sites. If that were not enough, the implacable demography of an aging population is raising the costs of retirement and health policies – and these older people continue to vote at a time when younger ones are abstaining more and more. In other words, saving the EURO might be futile if this deeper contradiction is not addressed.

The EU Crisis

The most serious threat to the EU may emerge precisely because its members are successful in saving the EURO. The only way of accomplishing this seems to be via the devolution of extraordinary compétences upon its institutions, especially the Commission and the ECB.

Not only would they have to substantially increase the number of their functionaries and experts, but – in order to be credible – these additional commitments would also have to be funded through “own resources” that would not depend on periodic member approval – something that has heretofore been denied it on such a scale. Such a massive transfer of sovereign authority and financial resources would definitely raise the eternal issue of “No Taxation without Representation” and require the introduction of new mechanisms of democratic participation and accountability, or the legitimacy of the whole operation would be constantly challenged.

The Crisis of European Democracy

Democracy in Europe has long been a national or sub-national product and, therefore, the collapse of the EU would not seem to threaten its viability. With or without the EU, however, European national democracies have been in trouble for several decades. The paradox of these times is that, precisely when so many aspiring neo-democracies emerged to the East, the archeo-democracies of the West were entering into crisis. Their citizens started questioning the

very same “normal” institutions and practices that new democratizers were trying so hard to imitate. And they tended to find them deficient, to say, outright defective. The list of morbidity symptoms is well-known (if not well-understood): citizens have become more likely to abstain from voting, less likely to join or even identify with political parties, trade unions or professional associations, more likely not to trust their elected officials or politicians in general and much less likely to be satisfied with the way in which they are being governed and the benefits they receive from public agencies.

None of these symptoms can be attributed directly to the EU, but that does not mean that they could not get worse in its absence. Again, a great deal depends on how the EU goes into demise and what consequences this triggers. A ‘soft landing’ that leaves intact many of its treaty-based obligations, does not threaten the established security community and protects much of the basic structure of regional trade and investment might have little impact. Again, this seems unlikely. A ‘hard’ landing will involve many unfulfilled contracts, multiple law suits, considerable disruption in trade and capital flows and, of course, lots of resentment – not just between individuals and firms but between national states. And these are very likely to be polarized along geographic, cultural and political lines – with the Northern “hard-working and abstemious” creditors pitted against the Southern “lazy and spendthrift” debtors.

Conclusion

In conclusion, the crisis is not over and its consequences will be felt for some time to come. But there exists an opportunity to turn an apparently bad crisis into a good one. The instrument for doing so already exists in the form of that unprecedented (but still not accomplished) delegation of compétences to the Commission, the European Central Bank and the European Court of Justice. What will make the difference will be the purpose for which these supra-national institutions will exercise those powers.

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What if the EU, instead of promoting orthodox neo-liberal policies of fiscal balance, budgetary austerity, lower welfare provisions and greater labor market flexibility at the national level, switched direction and became an aggressive supra-national agent of growth and job creation via the issuing of Euro-bonds guaranteed by all member states and the launching of a program of European scale public works in energy and transport – even in research and development – financed by the European Investment Bank? Will this prove sufficient to nudge the German government and with it the Board of the ECB and, eventually, the European Council in such a new direction remains to be seen. But if it is sufficient and (even more problematic) if it is successful, then the EU would re-acquire and greatly strengthen its association with economic prosperity and social justice – that famous European Model of Society that Jacques Delors was so fond of invoking. Seen from this (admitted improbable) perspective, the current EURO-crisis could just be the detonator of that “Transcending Cycle” that I imagined forty years ago.