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# Europe and the Crisis : what are the possible outcomes? Collapse, *status quo* or the continuation of integration?

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## ABSTRACT

The public finance crisis in certain euro zone Members States has placed the issue of European economic integration under the spotlight again. The choice, it seems, is quite clear: on the one hand we have development towards a federal political-economic system in the euro zone, on the other, the trend towards national entrenchment and the possible implosion of the euro zone. However since the start of the crisis a compromise situation has held sway. But this intermediate stance seems to be increasingly fragile. The consequence of this has been widespread irritation in the face of a never ending political and economic crisis. In the present context of disarray, this paper offers a critical analysis of the various possibilities we have to emerge from the crisis: collapse, *status quo* or continued integration?

Through a trick of history the present crisis is forcing European economic policy to become increasingly federal. Although we might be glad that the crisis has led to this kind of development, Europe cannot continue to integrate at this pace, simply out of necessity. A project such as this has to be undertaken according to a prior plan with an adequate level of political legitimacy. If European policy is to make sense again then we must immediately remedy its total lack of courage and be brave enough to debate quite openly the content that is to be given to the future European project.

This supposes a fundamental reform of the European institutions, via the strengthening of the roles of the (national and European) parliaments, i.e. the democratic legitimacy of European decisions and the clarification of the responsibilities of the European institutions. From this standpoint a solution might be to include parliaments more in terms of deliberation about the reform of the European political model, notably based on the idea of the convention, a solution which has proven successful, since it brings together complementary legitimate bodies: national MPs, MEPs, government representatives and members of the European Commission.

The recent crises have tested the European Union to the extreme. In the face of a succession of global upheavals (financial crisis, Arab Spring etc.), Europeans have discovered, with frustration, the limits of European governance. The complexity of the latter has prevented the Union from speaking with one voice in response to concerns raised by the financial markets, its partners and its citizens.

From a strictly financial point of view the public finance crisis in some euro zone Member States has placed the issue of European integration under the spotlight again. Some prophets of doom, notably in the US, have been quick to

forecast the collapse of the euro zone and are now pessimistic more than ever in the face of events that daily lend a little more credibility to their concern.[1] Others have pointed out that it is in times of crisis that European integration has made the most progress. Who should we believe?

It seems in any case that the question of the euro zone's future is becoming increasingly urgent. The proposed referendum in Greece on the decisions taken in the most recent euro zone summit on 27th October, resulted in perplexity on the part of the country's European partners, the US and the emerging powers: is the Euro-

1. See for example, Paul Krugman, "Euro Zone Death Trip" in the New York Times, 25th September 2011.

pean Union able to take binding decisions at the very highest level? European decisions are difficult to take given the differences between the Member States, but if in addition to this, the decisions taken unanimously can then be questioned by one Member State, the credibility of these decisions becomes extremely low.

The choice, it seems, is quite clear: on the one hand we have development towards a federal political-economic system in the euro zone, on the other, the trend towards national entrenchment and the possible implosion of the euro zone. However since the start of the crisis a compromise situation has held sway. The Member States have opted for a unanimous intergovernmental decision-making procedure, which seemingly guarantees national interests and weakens the institutions that guarantee the common interest, i.e. the Commission and the European Parliament. At the same time, under the pressure of the financial markets they have taken decisions that are moving towards greater budgetary solidarity and stronger supervisory rules. This compromise is undoubtedly the result of a paradox in Europe's situation: the combination of major differences leading the Member States to want to retain the right to veto over European decisions and of great economic interdependency.

But this compromise seems to be increasingly fragile. If we simply browse the blogs and opinion polls we see that many citizens say that the debate has been hijacked and criticise the decision-making method, which privileges decisions negotiated by national diplomacies under the pressure of the markets. Moreover, the intergovernmental decision-making method is not the best way to inspire investor confidence. The consequence of this has been widespread irritation in the face of a never ending political and economic crisis. In the present context of disarray, this paper offers a critical analysis of the various possibilities we have to emerge from the crisis: collapse, *status quo* or continued integration?

### 1. SHOULD WE LISTEN TO THE PROPHETS OF DOOM WHO ARE FORECASTING THE DISMANTLING OF THE UNION?

#### The end of Europe?

Can the euro zone curb the debt crisis? The question suddenly came to fore again when the agreement over the two rescue packages for Greece failed to stabilise the markets. Analyst pessimism has increased significantly: the contagion of countries as big as Spain and Italy has become a threat. The euro zone Member States clearly seem to be responding rather late. Exaggerated comments that smack of millenarianism, announce the demise of the euro, the dismantling of the

Union - in short the collapse of the continent.

The present crisis and its consequences – both economic-financial and political - have to be taken very seriously: the banking crisis, the danger of recession, the decline in intra-European solidarity, the danger of an "unravelling" of the common policies, with the prospect of a reduced European budget, the rise of new forms of isolationism and protectionism, carried forward by populist political forces, which hold up a defensive vision of European national societies or which promote the closure of the borders to immigration, exit from the euro zone etc. *In fine* many observers – often from the US – highlight the danger of the "renationalisation" of European political life. This emerges in the determination of national decision makers to control decisions taken at the European level, whose democratic legitimacy is under challenge. This idea is behind the successive decisions taken by the German Constitutional Court, which forces consultation with the Bundestag with regard to any financial agreement made on the European level. This is also the intention of the recent votes taken in the British Parliament, whose aim it is not to follow the decisions taken by the European Court of Human Rights (ECHR) with regard to protecting prisoners' and immigrants' rights. Charles Kupchan, professor of international relations at the University of Georgetown, expressed his concern about policies in Europe that would "*be less and less European and increasingly national.*" He calls for "*a new generation of leaders who can breathe life into a project that is perilously close to expiring.*"[2]

This observation is very clear: governments define themselves uppermost in terms of the defence of their national interests, the rise of populism is worrying and European economic governance is not very clear. The main reason to hope that the dismantling of the common policies or the collapse of the euro zone will not happen seems to lie in the fear of the consequences this might lead to. These scenarios of national withdrawal are obviously tempting, because they provide the feeling that the errors made by others do not have to be paid for and that sovereignty in supreme or economic choices has been recovered. However national withdrawal is incredibly dangerous, both politically and economically. Let us take for example the hypothetical collapse of the euro zone that is typified by major divergence and also by a high degree of interdependency. Firstly, the short term consequences would be catastrophic for the weakest States, which would be forced into default and be obliged to leave the euro zone. Leaving the zone would inevitably cause a massive devaluation of their national (newly recovered) currency: undoubtedly this would enable them to boost exports, but many years would be necessary before

2. Charles Kupchan, "As Nationalism Rises, Will the European Union Fall?", in *The Washington Post*, 29th August 2010

the same level of wealth were achieved again. Moreover, default would make extremely painful social adjustments necessary, in that these States would have to recover budgetary balance very quickly, since they would no longer have access to funding on the part of the markets or their European partners. The political cost, of what would be considered as dereliction, would be very high. In addition to this it is illusory for the stronger States, including those exterior to the euro zone, to think that they would not be affected, if they leave bankrupt States to their fate. The entire banking system would be weakened, with the risk of another banking crisis and a significant decline in their exports to the bankrupt countries.

Aware of these dangers some analysts have put some temporary solutions forward: the re-introduction of the control over capital on the borders of the weakest countries, the re-introduction of national currencies for domestic use, the scission of the euro zone into two or several, more coherent monetary zones etc. But in fact these "solutions" raise many questions: are they politically credible? Can they be implemented rapidly? How would they solve the debt problem of the worst affected economies? They seem rather more like an admission of failure and like a lesser evil in the worst kind of scenario.

### Reasons to hope

However we must not give in to the temptation of making everything seem black – first and foremost we must remember that the European Union was built and consolidated over 60 years and that it has been withstanding this crisis for the last four years: a single market (the biggest market in the world – 2378 billion €, against 1416 for the USA and 2235€ for Asia), crowned with the success of a single currency, which both Germany and France are doing their utmost to save from the peril it now faces; between 1999 (when the euro was launched on the markets) and 2011, the number of jobs has increased – in spite of the crisis – by 12.5 million in the euro zone against only 6.7 million in the US, whilst their populations are quite similar (332 million in the euro zone and 313 in the USA). Moreover in a context in which protectionist discourse is making a come-back, it might be useful to recall that the EU is still the main player in globalisation: it is the world's leading economy (20% of the GDP in comparison with 19% for the US and 14% for China) and the main player in trade as well as in investment flows. The European Union, which has good infrastructures and strong education systems, is still the leading beneficiary of foreign direct investments in the world: 230 billion euros, in comparison with 100 for the USA and less than 80 for China.[3]

Additionally the euro zone has an internationally credible currency[4]: the euro is the second most important reserve currency in the world and its high value in comparison with the dollar shows that the euro zone is not on the edge of the abyss; how can it be explained, if this were the case, that the euro has remained remarkably stable in the face of the dollar over the last few months? What is incorrectly described as the "euro crisis" is in fact primarily a national budgetary policy crisis and that of differences in competitiveness between the euro zone Member States. And even with regard to this point, we should remember that the euro zone has a lower deficit and public debt than those of the USA (-4,3% and 88,5% of GDP respectively for 2011 in the euro zone in comparison with 10% and 102.4% of GDP for the US). Finally, and in spite of the legitimate demand for social justice and greater equality expressed by European societies, all human development indicators (poverty, education, health, life expectancy etc.) put Europe in first position[5].

If it really were a politically and economically integrated entity, the euro zone's situation, likewise that of the European Union would not be such a cause for concern. But the economic and political differences that have emerged over the last few years, the slowness and lack of simplicity in a decision-making system typified by a lack of clear leadership, and finally the repeated infringements of collective rules, have limited the credibility of European commitments. The resulting uncertainty feeds doubts over the ability of European decision makers to take the necessary measures for consolidation and solidarity.

## 2. THE STATUS QUO: A VIABLE SOLUTION OR AN IMPOSSIBLE CHOICE?

### The minimal choice of consolidating what exists

Given these challenges it is tempting to believe that it would be vain to attempt the revival of the "federal project" right now. The obstacles do indeed seem far too great.

Firstly after the Maastricht Treaty (1992) the Union is said to have achieved a kind of balance that seems difficult to surpass. The internal market (1992) and the euro (2001) were the last major structuring projects of the Union – the reasons for this are analysed quite accurately by Christian Lequesne: a lack of any real European leadership amongst the new generation of politicians (either men or women) in the Member States, the impact of enlargement, since the accession of the former communist states to the Union strengthened the "intergovernmental" model whereby, the Union is, above all, an area in which compromises are made between national interests which are carried

3. See Emmanuel Sales, "Non, l'Europe n'est pas au bord du gouffre!" in *Le Figaro*, October 2011.

4. Cf. Mathilde Lemoine, "L'euro a un avenir", in *Sociétal*, 1st trimester 2011 and "European Issues" Robert Schuman Foundation [http://www.robert-schuman.eu/doc/questions\\_europe/qe-201-en.pdf](http://www.robert-schuman.eu/doc/questions_europe/qe-201-en.pdf) .

5. V. R. Boarini, A. Johansson, M. Mira d'Ercole, « Les indicateurs alternatifs du bien-être », in *Cahiers statistiques n°11*, OCDE, septembre 2006 - [www.oecdbetterlifeindex.org/](http://www.oecdbetterlifeindex.org/)

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forward and defended by sovereign States, and finally, fears of seeing the Welfare State collapse under the pressure of globalisation that has led many European societies into national withdrawal, which forcibly affects the European Union[6].

Secondly, any clear sighted analysis cannot ignore the fact that political preferences and the aspirations of governments, like the populations of Europe, are heterogeneous, and even contradictory: it is easy to see this in terms of taxation or foreign policy or in the hiatus in the opinion polls between the wish for "more Europe", notably in the areas of defence or greater economic policy coordination, and the reticence expressed with regard to the further transfer of competences[7] or of an increase in the European budget, as it seems to be the case in Germany for example.

Is Germany "no longer European?"[8]. Would it not be more accurate to say that it has become "normalised"? Germany is reunited and being the continent's biggest demographic and economic power, it finds itself at the centre of the enlarged Union. These developments comprise a real change for the dynamics of integration, which have to be taken note of[9]. At the same time whilst German Chancellor Angela Merkel, defends the interests of the German tax-payer in the euro crisis, she finally admits that the failure of the euro would also be that of Europe, and so there is still congruence between national and European interest. The German government may very well show support for further progress in terms of greater political integration; the CDU introduced the idea of the United States of Europe during its congress in Leipzig this November.

For a long time France has blown hot and cold. It has been the source of some ambitious integration projects, but it has also often shown a great deal of reticence to these very same projects[10]: the European Community of Defence, the European Constitution and – the most recent example – an Economic Government. This latest project has often been used as a political motto without the content ever being laid out in detail. More generally, France prefers the intergovernmental approach: if there has to be economic government, then it will only be embodied by the Council. Public opinion is reticent about a federal type of European democracy, in that it might mean that "French" ideas (interventionist economic policy, a major role for the civil service, the challenge made to liberalism, and also to powerful Europe) will be reduced to a minority in the European debate, especially in view of future enlargements that would reduce the share of the French population within the Union. This is one of the lessons to be learned of the French "no" to the constitutional project of 2005.

In a situation like this it would mean, at best, consolidating the European Union based on the balance that

it has managed to achieve. The European Union should first strengthen its internal cohesion, save the single currency, attempt to reconcile the monetary and budgetary orthodoxy that Germany wants, with a support policy as requested by many of its partners, achieve the negotiation of a new European budget 2014-2020, make progress with regard to projects such as the energy policy and assess correctly any further enlargements.

### The Impossible *Status Quo*

One thing that we have learnt from the crisis is that the term "economic governance" is now becoming obsolete. For a long time it was used to describe a weak system of coordination that was preferred because it avoided the issue of budgetary federalism, increasingly, it is now believed to impede thought into solutions equal to the issues at stake. In any case it is linked to the past. The crisis has revealed the shortcomings of this model, both from the point of view of its effectiveness and also its legitimacy. Given the recession and then the risk of bank and sovereign insolvency, it is above all the European Central Bank (ECB) that has played the stabilising role. But to do this, it has had to act beyond its remit, for example, by purchasing a share distressed States' debt, notably to curb speculation over the Italian debt. Moreover the ECB is not a political body: alone it cannot propose and then implement an overall strategy to overcome the crisis. On the contrary the budgetary and economic policy coordination rules of the Member States have lost their credibility, either because they have not been applied, for example the budgetary rules of the Stability and Growth Pact, or because the matching institutional tools were not adapted to the crisis – the community budget is per se inadequate to have any significant effect in terms of recovery, since budgetary and fiscal decisions require the unanimous agreement of the Member States and therefore long diplomatic negotiations – or because goals were set out without any definition of the obligatory means to be used to achieve them. Hence the "weak" and decentralised part of the European economic policy has added political uncertainty and even a feeling of powerlessness, to economic uncertainty. It has made the emergency draft of a joint, clear, credible strategy to the crisis impossible. In the face of the most serious recession since the Great Depression, Europe has not been able to speak as one, nor has it been able to agree on the pertinent level of solidarity and control necessary between Member States.

Moreover, on a more directly political level, the gap between the way European institutions operate and the demands made by the crisis is growing. Diplomatic negotiations are too slow: months were needed

6. Christian Lequesne, "L'Union européenne après le traité de Lisbonne : diagnostic d'une crise", in *Questions internationales*, n°45, September/October 2010.

7. Cf. *Eurobarometer 75*, 2011. See also, Karel Lannoo, "Opinion Polls Support a More European Approach to the Crisis", *Centre for European and Policy Studies*, 11th August 2011.

8. See for example W. Proissl, "Why Germany fell out of love with Europe", *Bruegel Essay*, 2010 - [http://www.bruegel.org/uploads/tx\\_btbbreugel/WP\\_essay\\_2010\\_01\\_160710.pdf](http://www.bruegel.org/uploads/tx_btbbreugel/WP_essay_2010_01_160710.pdf)

9. See Maxime Lefebvre, "La République de Berlin. L'Allemagne a-t-elle changé ?", *Commentaire*, 100, winter 2002-2003 ; Jacques-Pierre Gougeon, *L'Allemagne au XXIe siècle : une nouvelle nation ?*, can also be consulted, Paris, Armand Colin, 2009.

10. Cf. Thierry Chopin, *France-Europe. Le bal des hypocrates*, Paris, Editions Saint-Simon, 2008.

to negotiate the Greek rescue plan at the beginning of 2010 and during this period, Greece no longer had access to private funding sources, which increased the amount and cost of the aid required. There has been a gradual feeling that Europe is always one step behind in the crisis. In addition to this, this operational mode is a source of anxiety and is destabilising. The outcome of negotiations is always uncertain, various government positions regularly seem to depend on electoral dates, and decisions taken by the governments can then be questioned nationally, especially in a context in which many governments are extremely politically weak at home. The ensuing uncertainty starkly accentuates investors' perceptions of economic risk and reduces the credibility of European commitments. Lastly the current operational mode, that notably gives primacy to the Council over the European Parliament, causes the loss of clarity and legitimacy in the eyes of the citizens of Europe: no time is ever set aside for democratic debate, in which European decisions concerning solutions to the crisis can be discussed openly. National debates cannot offer candidates the opportunity to commit themselves firmly, in that the decision will finally come after negotiations with other heads of State and government. Hence there is no real debate on issues of budgetary federalism and economic policy, notably austerity measures and structural reform.

All of this has a political and economic cost. The populist parties are rising in Europe, whilst the "indignant" criticise the shortcomings of democracy and reject the present political and economic system. From an economic point of view tensions on the financial markets are weakening the banks and States, since they impede, *in fine*, investment and growth in Europe. All of this also leads to a general feeling that the *status quo* is increasingly difficult to maintain and that it cannot be held for long. Even "Merkozyism" is under the threat of future electoral dates, 2012 in France and 2013 in Germany. Building the base of a more stable European political system that is really able to involve Europe now seems necessary, but we have to know whether European political leaders will be equal to the challenge, and if so, whether public opinion, which has suffered badly during the crisis, will follow them.

### 3. FROM THE CRISIS TO REVIVING INTEGRATION? THE RETURN OF FEDERALISM TO THE DEBATE

#### The paradoxical return of federalism to the debate

With the debt crisis in the euro zone, the issue of European federalism has become topical once more. The present crisis has highlighted the incomplete

nature of European integration and, more particularly, that of the euro zone: its Member States are caught midstream, since they have quit national monetary policies and markets without going the whole way – ie achieving budgetary integration and speaking as one, embodied by a clear, political leadership that enjoys strong democratic legitimacy. As forecast by Tommaso Padoa-Schioppa[11], in normal circumstances an intermediary stage like this can last for a long time; however in times of crisis and exceptional circumstances, when there is great pressure on the Union and on the States, Europe now faces both a danger and an opportunity: the danger may lead to the collapse of the euro zone and the dismantling of the Union, the opportunity has to lead to the finalisation of the integration project from a budgetary and political point of view.

Curiously the most recent time has been marked by the clear wish on the part of national political elites to give up all references to any "federal" future for the European project. Indeed in the negotiation on the Lisbon Treaty, which followed the rejection of the constitutional treaty by France and then the Netherlands, a certain number of Member States – which form a kind of EFTA – to quote Michel Foucher – claimed and gained the relinquishment of any detail that left room for any constitutional measures that might lead the Union along the federal path.

And so what is our observation here? Due to a trick of history the present crisis is forcing European economic policy to become increasingly federal. The European Financial Stability Facility (EFSF) is nothing more than a mechanism by which some States will borrow on the markets for other distressed States, thereby establishing risk spreading within the euro zone. The rigorous conditions that are associated with it limit de facto the sovereignty of the States that take advantage of the aid plans. Moreover the crisis has strengthened the role played by an institution that is federal in nature – the ECB – whose role as lender of last resort alone – which it still is not – seems to calm the markets. Finally, the Member States, under the pressure of the crisis have laid the foundations of macro-economic and wider financial surveillance.

However, in spite of their necessity, these factors do not seem adequate to restore confidence. Worse still, many citizens – and also the German Constitutional Court[12] – believe that this integration is stained with democratic deficit. This deficit also fuels mistrust, both of the austerity policies "imposed by external forces" on the States that have been weakened by the crisis, and of the solidarity policies, which the citizens of the States, solicited for their aid, fear will create a dead-weight effect and encourage lax attitudes on the part of the "other" States. And so this reciprocal mistrust is

11. Tommaso Padoa-Schioppa, "La crise de la dette dans la zone euro : l'intérêt et les passions", *Les brefs de Notre Europe*, n°16, 2010.

12. Cf. *Les conséquences du jugement de la Cour constitutionnelle fédérale allemande sur le processus d'unification européenne*. Konrad Adenauer Stiftung – Robert Schuman Foundation, 2009.

preventing effective action against systemic risk. The crisis has led to vital thought about the reform of the economic governance of the Union. But the proposal of "economic government" – a debate that was revived by Angela Merkel, is the focus of much less consensus, although it addresses the real issue: the need for clarification, simplification and the legitimization of European economic policy[13]. This debate reveals the dividing lines that any decision maker has to bear in mind if he wants to launch and carry the debate forward on realistic foundations and to build something that will last. Government, which is synonymous to politicisation and interventionism in France, reflects the hope for independently implemented rules in Germany and reveals the spectre of federalism and the threat to freedom in the UK or in Central Europe. But if they cannot agree on a common idea of the political and economic system for the Union, i.e. in reality, federalism – the Member States will not be able to agree on a common type of government.

#### What should be done?

Fundamentally federalism supposes the definition of clear tasks for the various levels of government. But this requirement poses a problem in European affairs: the Union is not a State and the States' and the other administrative levels' respective competences are the focus of dispute in terms of distribution. Moreover, if there is a domain in which federal traditions agree to grant a key role in terms of "central government" role, these concern areas of supreme power (budgetary decision, foreign policy, defence, immigration, police, security protection and healthcare, energy independence). However the Union has developed without these supreme tasks ever being granted to it, because the States have protected their sovereignty. The Union now devotes itself to redistribution (CAP, Cohesion Policy) which leads to appropriation conflicts. Though, in a globalised world it would seem logical for the Union to have supreme instruments at its disposal.

The present *status quo* is yet neither inevitable nor ineluctable. If we look at the history of the construction of Europe we can see that the European Union has already experienced many types of differentiated integration, both with and without the treaties. The euro, the Schengen Area and intergovernmental cooperation in the industrial domain are a few examples of this. They have become symbolic of European integration and have often led to convergence, with other States gradually joining the first participants; and some policies have simply been communitised. Is this method which has proven successful still on the agenda? Not all of the future Union policies in specific area (taxation, social, diplomatic, military etc ...) can involve all

of the Unions Member States in the same way- which means that there will be negotiation over the establishment of cooperation between various States to move forward in certain areas. The simple reference to these supreme areas shows that European integration is now committed to a new political outlook which affect States' sovereignty and national socio-political consensus, for which it is even more difficult for European governments to give up their "right to veto", notably those in Central and Eastern Europe, which recovered or discovered – their sovereignty at the same time as democracy. Hence the heterogeneity of interests within the Union has to be recognised, whilst allowing room for future joint action. This is precisely the path that Germany and France have decided to take in their plan to create a common business tax by 2013.

Moreover and above all, are the revelation of differences and the civilised settlement of disagreement not the necessary conditions for democratic policy? Hence the making of European federalism must lead to the admission that the Union has to be politicised and to the establishment of the conditions for political debate, if we want to prevent the European democratic model from being reduced to the juxtaposition of common policies without any real political life ("*policies without politics*"[14]), i.e. without debate and without competition in terms of the fundamental political challenges that Europeans face[15]. If citizens continue to think that political, economic and social issues cannot be debated and settled by their various democracies, both at the State and Union level, then the latter will continue to grow weaker and leave room for the emergence of populism and extremes. Although we might be glad that the crisis is leading to greater federalisation of the economic policy –Europe cannot afford continue its integration under obligation and only according to necessity. A project such as this has to be undertaken according to a prior plan that enjoys an adequate level of political legitimacy.[16] If European policy is to make sense again then we must immediately remedy its total lack of courage and be brave enough to debate quite openly the content that is to be given to the future European project[17].

#### Engaging debate: towards a new Convention?

This supposes a fundamental reform of the European institutions via the strengthening of the roles of the (national and European) parliaments, i.e. democratic legitimacy of European decisions and the clarification of the responsibilities of the European institutions. This is the condition for the legitimate management of common European assets[18]. In other words, this is the condition for the emergence of European federalism and an equal feeling of identity.

13. See Jean-François Jamet, *L'Europe peut-elle se passer d'un gouvernement économique ?*, La documentation française, 2011

14. Following Vivien A. Schmidt in *Democracy in Europe. The European Union and National Policies*, Oxford, Oxford University Press, 2006.

15. See T. Chopin, "The limits of the functionalist method: politicization as an indispensable mean to settle the EU's legitimacy deficit", in Olaf Cramme (ed.), *Rescuing the European project: EU legitimacy, governance, and internal security*, London School of Economics – Policy Network – Eliamep, vol. 1 and T. Chopin and L. Macek, "Après Lisbonne, le défi de la politisation de l'Union européenne", in *Les études du CERI*, n°165, CERI / Sciences Po, 2010.

16. Speech on "L'Europe et les marches" by Josef Ackerman, Chairman of the Board of the Deutsche Bank AG on 3rd November 2011, in Paris: "I am sure that we should quickly join together in debate over the constitutional legitimisation of the unification of Europe."

17. Cf. T. Chopin & J.-F. Jamet, "Fédéralisme européen : il faut un débat", in *La Tribune*, 28th October 2011.

From this standpoint a solution might be to include parliaments more in thought about the reform of the European political model, notably based on the idea of the convention, a solution which has proven successful, since it brings together complementary legitimate bodies: national MPs, MEPs, government representatives and members of the European Commission[19]. To date there have been two conventions: one in 1999 to draw up the EU's Fundamental Rights Charter, the other in 2002-2003 to write the draft constitutional treaty. In the light of these two successful experiences, and despite the difficulties encountered during the ratification process of the European Constitution, the more frequent use of ad hoc conventions on issues that cause political difficulties would promote the search for compromise in line with general European interest. Conventions like this might be convened by the European Council which would give them the mandate, not to decide, but to come up with proposals on the main direction that European integration should take.

In line with the approach that predominated during the crisis – i.e. intergovernmental – the last summit of Heads of State and government of the euro zone gave the task of reflexion to the President of the Council: *"The euro is at the core of our European project. We will strengthen the economic union to make it commensurate with the monetary union. We ask the President of the European Council, in close collaboration with the President of the Commission and the President of the Eurogroup, to identify possible steps to reach this end. The focus will be on further strengthening economic convergence within the euro area, improving fiscal discipline and deepening economic union, including exploring the possibility of limited Treaty changes. An interim report will be presented in December 2011 so as to agree on first orientations. It will include a road-map on how to proceed in full respect of the prerogatives of the institutions. A report on how to implement the agreed measures will be finalised by March 2012."* The terms of this task are extremely unclear. And this type of task with a limited mandate has never led to much in the past. The declaration of heads of State and government during the Euro Zone Summit on 21st July 2011 already planned for the following: *"We invite the President of the European Council, in close consultation with the President of the Commission and the President of the Eurogroup, to make concrete proposals by October on how to improve working methods and enhance crisis management in the euro area."* So we might fear that the same method will not come up with radically different results. In any case it follows again a mainly technocratic procedure.

To remedy this and to raise the legitimacy of the procedure, the President of the European Council, Herman

Van Rompuy could involve MEPs and national representatives, as well as Commission members in his work. And so the Convention which we are proposing would be formed. Herman Van Rompuy might then be able to put forward more courageous, structuring proposals because they would enjoy a wider based legitimacy. Moreover given that the mandate provided by the October Council is unclear, this convention should set itself the task of defining the outline of an economic government of the euro zone that would include the following:

- the imperative for economic efficacy – which supposes the definition of tools that will lead to the foundation of real budgetary Union, with for example, a balance between greater solidarity, in the shape of euro-bonds and/or a contra-cyclical investment fund that is able to provide aid to a distressed Member State, and which has the right to monitor national debt emissions upstream;

- the imperative of democratic legitimacy which supposes involving MPs, by creating, a "European Chamber"[20] or a Euro Zone Parliament[21] for example that would bring together MPs of the euro zone in the same way as the Council, which involves a restricted group of the Heads of State and government of the euro zone only, as well as the chairs of the Budgetary Committees of the national parliaments and the President of the Budgets Committee of the European Parliament;

- the imperative of clarity, which supposes that the euro zone speaks with one voice, - by merging for example the post of European Commissioner for Economic and Financial Affairs with that of President of the Eurogroup, thereby creating the post of European Finance Minister, as suggested by Jean-Claude Trichet[22], - or even by merging the Presidency of the Council with that of the Commission[23], with the appointment of the President of the Commission taking place by universal suffrage, as suggested by the CDU during its congress in Leipzig.

Finally in order to ensure that the Convention adopts a democratic procedure in the follow up to its work, the proposals it makes should be the focus of a vote of approval in the European and national parliaments. If changes to national Constitutions are made necessary by the Convention's proposals it will be up to the governments of the Member States to decide to adopt the necessary modifications either by parliamentary vote or referendum, according to the constitutional means specific to each State. This procedure will undoubtedly cause concern amongst those who were affected by the "no" to the 2005 Constitution. But the crisis has created an exceptional time which makes the development of the institutions and a clear debate over the future

18. See the work by Stefan Collignon, and notably *The European Republic. Reflections on the Political Economy of a Future Constitution*, Federal Trust for Education and Research, Bertelsmann Foundation, 2003

19. This proposal resembles the recent call for an initiative like this by Pier Virgilio Dastoli Chair of the European Movement Italy.

20. Cf. Joschka Fischer, in *Süddeutsche Zeitung*, 1st November 2011; translated into French, "Un gouvernement européen pour sauver l'Europe!", in *Le Figaro*, 7th November 2011. <http://www.sueddeutsche.de/politik/joschka-fischer-fordert-europaeische-regierung-es-wird-einsam-und-kalt-um-europa-1.1177334>

21. See Guillaume Klossa and Jean-François Jamet, *Europe : la dernière chance ?* Armand Colin 2011.

22. Cf. Speech by Jean-Claude Trichet, the then President of the European Central Bank at the award of the Charlemagne Prize 2011 at Aachen 2nd June

23. Cf. T. Chopin, "Europe and the need to decide: is European leadership possible?", in the Schuman Report on Europe. State of the Union 2011, Lignes de repères, 2011.

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of the Union, the euro zone and federalism necessary. Those who defended the idea of a "*B plan*" should not be surprised either to see that another project will be the subject of democratic debate. In any event, it remains that we have to know whether some countries will be able to avoid giving in to the temptation of a blockade or veto, if there is a ratification process. Progress towards integration will only be possible if alternatives can be found in the event of non-ratification by one or several states. Apart from solutions such as a (super) qualified majority, it seems impossible to avoid the study of differentiated paths of integration within the Union.



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### CONCLUSION

Are Europeans ready to take on this debate? It is up to European and national politicians and beyond that, all players who want to be involved in rising to the challenge, the difficulty and degree of which is similar to that facing the Founding Fathers of Europe after the Second World War. But time is running out: every week that passes, which is ruled by uncertainty over the future of the Union, increases the chances that Europe will be forced to make radical choices without having been able or wanting to debate them.



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