



Stefan Auer

Europe's self-destructive article of faith

European leaders' unwavering commitment to ever closer union is causing more harm than good, argues Stefan Auer. Europe doesn't need more integration; it needs more democracy to enable its nations to regain control over their destiny. Partial and well-managed disintegration may be preferable to a chaotic implosion.

Europe's better times were meant to be ahead of it. Not so long ago, "the European dream" was believed to have provided the best "vision of the future";¹ Europe was going to "run the twenty-first century",² having created "an entirely new species of human organization, the likes of which the world has never seen".³ If the West — and most of the world — was American in the twentieth century, the twenty-first was going to be European. But not in any crude, old-fashioned, imperial, my-values-are-better-than-yours kind of way; rather in an open and open-ended reflexive, self-critical, you-are-as-good-as-or-better-than-me way. Europe was going to lead the world by example; do it gently. "Soft power Europe" would rule without anyone noticing but everyone benefiting. All these assumptions proved hubristic: Europe's turn of fortune is humbling, humiliating and, perhaps, irreversible.

What went wrong, and when? Europe's most audacious moment occurred some time between 1989 and 1991. That short period of time encapsulated both the demise of communism in central and eastern Europe — from Poland, Hungary, East Germany and Czechoslovakia in 1989 to the Soviet Union in 1991 — and the bold step forward on the path towards an "ever-closer union" in western Europe. Twenty years later, the significant failures of economic and political integration have forced Europeans to re-consider the underpinnings of their project.

Though it appeared in different shapes and sizes, and had numerous causes outside Europe (e.g. the US sub-prime crisis), the economic crisis of 2010–2011 has also manifested itself as a crisis of European democracy. The creation of a monetary union with a shared currency, the euro, is a project that, in many ways, arose out of the events of 1989–1990, in particular, the perceived need to anchor a reunified Germany more firmly within Europe. The common currency was always much more than a transnational medium of exchange. From its inception, it was intended to be the symbol of united Europe par excellence. Rather than achieving this, the eurozone crisis has reinforced latent suspicions, if not hostilities, between EU nations.

The apparent inexorability of "ever closer union"

The creation of the Economic and Monetary Union in 1992 cannot be separated from the dramatic events of 1989–1990. The prospect of a populous and powerful reunified Germany at the heart of Europe led Germany's European partners, particularly France, to seek ways of embedding that country more securely in Europe. This was one of the key rationales behind the common currency. In return for giving up their beloved Deutschmark, one of the great symbols of post-war West German recovery, Germans would gain the trust of their European partners and support for the speedy reunification of their country.

Other concessions were made to German sensibilities; the new euro would be as strong and stable as the Deutschmark with an independent European Central Bank (ECB), based in Frankfurt, committed to maintaining low inflation. However, as the sovereign debt crisis spread through Europe in 2010 and 2011, it was clear that neither the currency nor the ECB had lived up to these promises. The seeds of the eurozone's current woes were sown much earlier both in the repeated violation of the Maastricht Treaty criteria (by several countries, including Germany) and, more fundamentally, in the very attempt to achieve monetary convergence between 17 vastly different economies.

Yet the unwavering commitment of EU elites to the official narrative of "ever closer union" prevents them from acknowledging past mistakes, much less honestly and openly assessing the full range of possible solutions. Just as every positive event in post-war Europe must be linked to the EU, any problem in the integration project can only be countered by further integration. Only the EU can guide Europeans along the "path of civilization, progress and prosperity" says the preamble to the Constitutional Treaty. Without the eurozone, "then forget Europe"; we're back to the balance of power politics of previous centuries.⁴

The nationalist backlash

Rather than causing doubt among EU federalists, the most severe economic crisis in post-war European history has merely strengthened their faith in ever closer union: "If the EU did not exist, we would have to invent it today," wrote Ulrich Beck. "Far from being a threat to national sovereignty at the beginning of the twenty-first century, the EU first makes it possible. [...] The pooled sovereignty of the EU provides the only hope for every nation and every citizen to live in freedom and peace."⁵

This argument has been echoed by other leading German intellectuals such as Habermas and Fischer, and by EU leaders such as Barroso, Trichet and Rompuy. After some initial delay, even national leaders followed suit. In August 2011, German Chancellor Angela Merkel and French President Nicolas Sarkozy called for an economic government for Europe, at least for the 17 countries of the eurozone. With the exception of the UK Prime Minister, David Cameron, the only strategy that most leaders appeared to be willing to contemplate was moving forward towards a supranational Europe. This would entail harmonized taxation and a quasi government, at least for economic matters. What these plans ignored was the lack of public support for measures that would further erode national sovereignty. Control over the national budget is perhaps one of the oldest prerogatives of all democratic governments. After all, the slogan that inspired the establishment of both British and US democracy was "no taxation without representation".

The ideal of pooling sovereignty might have its appeal in good times but when nations are faced with the seemingly inescapable prospect of managing decline this vision is reckless, dangerous even. Even in Germany, ordinary citizens are opposed to a "post-national Europe". People at Europe's peripheries tend to find it even less attractive, fearing the idea of European federation as a mere cover for German domination. Perhaps the most disturbing image employed by Greek demonstrators protesting against further austerity measures in 2011 was the EU flag with a swastika splashed across the centre. Though such images were not wide-spread, anti-German rhetoric across Europe became much more common than when Kaczynski first broke with the post-Second World War consensus of never mentioning the war in the high-stakes reform treaty negotiations in 2007. At the height of the negotiations leading to the first rescue package in 2010, Greek Deputy Prime Minister Theodoros Pangalos was quoted as saying that "the offspring of Nazis had no right to issue orders to Greeks". The popular Greek composer Mikis Theodorakis complained that "the Greeks were becoming foreigners in their own country. This didn't happen even under the Nazi occupation".⁶

What the current crisis has brought into stark relief is the fact that a currency is always more than just a technical instrument. As the Dutch writer Leon de Winter mused in 2010 while calling for the reintroduction of national currencies: "The French used to have their elegant Franc that had the flair of an overcrowded Brasserie in Paris, and the Italians their Lira, that was as slutty and seductive as Mastroianni and Ekberg in Fellini's *La dolce vita*."⁷ To be sure, the Lira might have been more popular with tourists than Italians themselves, particularly after devaluation, but Italians could live with it; they were not traumatized by endless zeros on their banknotes: they could live with their unreliable currency as happily as with their chaotic political system.

Germans are different. In the German public imagination, the trauma of inflation is firmly linked with the rise of Nazi Germany. There is probably no other country on earth where people see low inflation as their constitutional right. In mid-2011, the German constitutional court considered claims that the eurozone rescue efforts undermined fundamental rights enshrined in the German Basic Law, including the right to property, which, so the claimants believed, would be compromised if the eurozone rescue efforts proved inflationary. In 2010-2011, even German public opinion started to turn decisively against Europe. The fact that German and European interests were in harmony for the best part of the second half of the twentieth century makes that reversal even more significant. As Ulrike Guérot and Mark Leonard observed:

Whereas Germans once saw the EU as the embodiment of post-war German virtues such as fiscal rectitude, stability and consensus, they now see it as a threat to those same virtues. Whereas many Europeans want Germany to save Europe, many Germans now want to be saved *from* Europe.⁸

The eurozone crisis has undermined the core values underpinning the contemporary German political system. The success of post-war West German democracy was predicated on two key commitments: West Germany's *raison d'être* was to be a "good European" and to show its commitment to the *Rechtsstaat*, the rule of law. Until recently, all these goals went hand in hand. Germany has proven to be a reliable partner in an EU that succeeded precisely because it functioned as a rule-based supranational polity. The crisis has changed these basic parameters. The strategies employed to preserve the

eurozone have bent adopted rules such as the no-bail-out clause in the Treaty of Maastricht. Similarly, the independence of the European Central Bank has been compromised. Germany's commitment to rules appears to be on a collision course with its commitment to Europe. The political elites in Germany and Europe have sought to downplay this tension by talking about the need for more transnational solidarity.

But solidarity has its limits. For the principle of solidarity to work in a democratic polity people must feel that their contributions will be directed to where they are most needed. To ensure that, they need a transparent and efficient public administration supported by a highly developed civic spirit. These are more easily found in some places than others. Ideally, one would have the social capital of Sweden combined with the efficiency of German bureaucracy. But Greece is neither Sweden nor Germany and no amount of supranational European governance will turn Greeks into Protestant-work-ethic Swedes who pay taxes gladly and respect their state institutions. Greeks have had and continue to have good reasons to mistrust the state.

Yet there are limits to national clichés. Even Germans are these days not as thrifty as they might appear to Southern Europeans. It is a measure of the dire state of public finances in Europe that Germany, whose public debt is higher than 80 per cent of its GDP, is considered to be in a healthy state. Paradoxically, one of the best performers in the eurozone, in terms of its macroeconomic results and its relatively low level of sovereign debt — just above 40 per cent in 2010 — is a country not known for high levels of social capital or trust in state institutions: Slovakia. Through trial and error, Slovaks were able to create an economic and political model that suits their country. At the heart of it is a low flat tax of 19 per cent for all economic actors, including individual employees. It is beside the point here whether the system is fair or deficient; it was created through a democratic process — however messy — and is therefore seen as legitimate.

What Slovaks do find difficult to accept is the necessity of contributing financially to the eurozone rescue efforts. From their perspective, talk of pan-European solidarity sounds hollow when one of the poorest nations in the eurozone is asked to help bail out one of the richest. Slovak taxpayers, with one of the lowest average incomes in the eurozone, are asked to subsidize the Irish, whose average income is still higher than the Germans. And with one of the least generous welfare states, they are asked to subsidize the overblown Greek state. In August 2010, the newly elected Slovak government reversed the previously adopted policy in support of the first Greek bailout. The Slovak finance minister Ivan Miklos justified that position declaring: "I do not consider it solidarity if it is solidarity between the poor and the rich, of the responsible with the irresponsible, or of tax payers with bank owners and managers".⁹

Regrettably, just a year later, Miklos abandoned his principled stand, accepting demands from his EU partners to increase the Slovak contribution to the eurozone rescue effort. When this policy was blocked by the minor coalition partner led by Richard Sulik, "Freedom and Solidarity", the government tried to secure parliamentary approval by combining the vote on the eurozone contribution with a vote of confidence. This led to its collapse in October 2011. Defying the pressure from Germany as well as his coalition partners, Sulik had enough courage to state the obvious: the strategies pursued at the expense of taxpayers in the few countries that were still solvent were

indefensible. Before losing his post as speaker of the parliament and bringing down the government, Sulik said that he would rather "be seen as an oddball by Brussels than be ashamed in front of his children for incurring on them unsustainable debts". Predictably, his principled stance was rejected as populist posturing in the mainstream Slovak media, which felt a stronger allegiance to European integration than the interests of the Slovak electorate.

The erosion of European democracy

This was not the first demise of an EU member state government triggered by the eurozone crisis. Early elections took place in 2011 in countries whose public debt had reached unsustainable levels, such as Ireland, Portugal and Spain. However, Slovakia was the first country in the EU whose government collapsed without any domestic economic problems. The erosion of democracy in Europe took another turn for worse in November 2011 when democratically elected governments in Greece and Italy succumbed to external pressure and were replaced by apolitical administrations. Increasingly, European political elites have sought to deal with the crisis by relying on technocratic leadership, rather than popular legitimacy.

These recent experiences undermine a concept in EU scholarship that is as trendy as it is fallacious: *demoicracy*. According to Kalypsa Nicolaidis:

[The EU] established itself as a new kind of political community, one defined not by a uniform identity — a *demos* — but by the persistent plurality of its peoples — its *demoi*. The EU is neither a union of democracies nor a union as democracy; it can now be a union of states and of peoples — a *demoicracy* — in the making.¹⁰

Although the system of EU governance defies easy characterisation, the term *demoicracy* obfuscates rather than illuminates its real nature. Particularly problematic is the assumption that this novel arrangement would almost automatically lead to increased solidarity among European states and its peoples. Nicolaidis argues that more sharing, mutual exchange and engagement creates a more integrated Europe. "The glue that binds the EU together," she writes, "is not a shared identity; it is, rather, shared projects and objectives".¹¹ However, what this account ignores is the possibility that shared projects might lead to more mutual mistrust and hostility, particularly if they go awry, as has been the case with the common currency.

In a redistributive *demoicracy* whole nations can be reduced to the status of a welfare recipient deprived of their basic liberties. The (supranational) state will provide for them, as long as they obey. The absurdity of this logic was on full display when Angela Merkel urged Greek people, after more than a year of austerity measures that showed no signs of delivering desired results, to try harder still: work longer hours and extend the average retirement age. The fact that her comment proved factually incorrect — at least according to available statistics Greek holiday entitlements were less generous than those in Germany — is less significant than its unsuitable, patronizing tone. Similar outrage was caused by comments made by the leader of the eurozone group, Luxembourg Prime Minister Jean-Claude Juncker, in a leading German weekly, *Focus*, in July 2011. He stated bluntly that "the sovereignty of Greece will be massively reduced". He was, of course, right, which made it all the worse. If any evidence was needed that the Greek people would have only a limited control over their destiny as long as they stayed within the eurozone, it was delivered

in early November 2011 when the then Prime Minister George Papandreou was forced to abandon his plan for a referendum about the planned austerity measures.

Franco–German leadership on collision course

To comprehend the EU's problems requires a stretch of the imagination. How should one conceive, for example, of the total sum that the special rescue mechanism established in May 2010 was meant to make available, or the totality of all guarantees that the German government has made so far, making its electorate potentially liable to make payments worth hundreds of billions? The rescue facility for euro states that was created by the EU and the IMF amounted initially to euro 750 billion, more than eight times higher than the 2010 equivalent of the Marshall Plan aid to Europe after the Second World War, or more than twice the amount that was demanded from Germany in reparations after the First World War. The very fact that one has to draw such comparisons from European historical experience is disconcerting.

Yet the eurozone is *not* a new Versailles imposed on Germany, even if the liabilities were eventually to be turned into real payments. In the first place, the eurozone was not imposed on Germany; even if the people did not welcome it, German elites willingly endorsed it. And second, the German economy gained significant advantages from the common currency that, so far at least, seem to outweigh the costs. Paradoxically, the spectre of the new Versailles applied better to Greece, as a leading German business paper, *Handelsblatt*, argued in November 2010. Its argument was as simple as it was compelling: you do not help a country in trouble by imposing punishing conditions on it. All the crucial steps on the common European currency were taken by France and Germany, just as all significant attempts at Europe-wide identity building were Franco–German initiatives. Just as most attempts at producing a unifying Franco–German story of Europe were resented by other nations, the attempt to create a European economic government advocated by France and Germany is unlikely to gain sufficient support from all 17 member states of the eurozone, let alone the 27 EU member states.

Whatever strategy Europeans end up adopting, their common currency will be transformed (provided it continues to exist). One way of describing competing scenarios is to resort yet again to national stereotypes. Initially, the euro was meant to be as sound, dependable and reliable as the German Mark used to be. German voters were promised that the ECB, like its spiritual predecessor, the German *Bundesbank*, was going to be governed by the same rules which made the German Mark so successful: complete independence from political pressures and a firm commitment to keeping inflation low. To ensure this, monetary policies (the central bank's domain) must also be separate from fiscal policies (governments' domain). Though member state governments were going to remain in charge of fiscal policies, they accepted contractual obligations — through the Treaty of Maastricht — to follow strict rules: no more than 3 per cent budget deficit in any given year and no more than 60 per cent debt; and — one more promise to pacify German voters — there would be no bail-outs.

For the first five to ten years the euro was somewhat German in character. Inflation was low and though the basic rules were occasionally violated, even by Germany and France, the regulatory framework remained reasonably solid and the ECB kept its independence and credibility. Around 2011, the euro morphed into a French currency. This was not just because the ECB was

headed by a Frenchman, Jean–Claude Trichet, but more because of the non–conventional policies the bank pursued. By purchasing Greek, Italian and Spanish government bonds on secondary markets, the ECB compromised its political independence and undermined its credibility. One could call it a typically "French solution"; France's étatist political culture has meant that French governments have traditionally interfered in monetary policies without objection from the electorate.

The euro may well turn out to assume a more Italian character and become more inflationary. It would be the last ironic twist in this unfolding drama: Mario Draghi, the current president of the ECB, who took office in November 2011, presented himself to German voters (and was praised by many commentators in Germany) as an Italian banker with unashamedly German virtues who would give priority to price stability, in other words, low inflation. However, when Greece defaults on its debt, as it will sooner or later, the ECB will be forced to write off significant losses. These losses will either have to be replenished by massive transfers of money from other member states, including Germany, or the Bank will simply print more money ("quantitative easing"). Whatever strategy is eventually adopted, the solution will make most European nations profoundly unhappy.

Less is more

The attempt to build a European supranational democracy by largely undemocratic means has backfired. The attempt to turn the peoples of Europe into Europeans through a common currency, common citizenship and freedom of movement resulted, paradoxically, in strengthening the forces of extreme nationalism. The attempt to weaken German influence in Europe and the wider world by integrating it more firmly within a radically transformed EU significantly increased economic and political imbalances, unwittingly empowering Germany vis–à–vis its European partners. Just as Germany has become more European, for better or worse Europe was forced to become more German. If the twentieth century was plagued by the "German question" and the violent conflicts that ensued as a result, the twenty–first century is going to be shaped by the "European question", when Europe at large can no longer be certain of its own destiny. For the European dream *not* to turn into a European nightmare, Europeans need to wake up to a reality that points towards the limits of their own power both at home and abroad.

Politicians are faced with an impossible task: they cannot predict the future yet have to think about how to improve the current predicament. What went wrong is easier to identify than to fix. However, it is only possible to identify a viable solution for existing problems on the basis of a realistic assessment of the past. This appears to be a major challenge for European elites who, as a result of their dogmatic commitment to an ever–closer union, refuse to acknowledge past mistakes. Europe worked reasonably well up to 1989 because its ambitions were moderated by the awareness of its own limits — paradoxically, a supranational project "rescued" the nation states of Europe. The effort undertaken after 1989 to substitute a United States of Europe for a Europe of nation states is destroying democracy at the national level without creating a viable alternative at the European level.

Towards the end of 2011, there are two conflicting scenarios that might rescue Europe from its crisis. One is simply to continue towards an ever–closer union by moving sovereignty more decisively toward a supranational level. This is the option advocated in France and Germany, the two core countries that

agreed to create an "economic government" for Europe. The aim is clearly to subject member states to more external control. This is also the option advocated by many economic commentators and favoured by the financial markets. However, the people of Europe are at best sceptical, at worst hostile. Greek, Portuguese, or Irish voters are not keen to see even more national sovereignty lost to outside forces, whether these be the Brussels bureaucracy or the ruling elites in the core member states. At the end of this path would be a Europe with a unified taxation system and shared financing of national budgets achieved through eurobonds, a highly contentious step. Such a Europe would, however, also necessitate the abrogation of control over budgets by national parliaments. Budgetary discipline will no longer be enforced by the anonymous markets, but by high-profile politicians in Germany and France, alongside faceless bureaucrats in Berlin, Paris and Brussels, and the European Central Bank in Frankfurt.

A more likely option, that people in individual member states might force their politicians to reclaim national sovereignty, is not even seriously considered. This would include, in at least some countries of the eurozone, the re-introduction of the national currency. Pursued in an orderly and managed way this is almost certainly the best option. Though it is unlikely ever to find the courage, Germany would do a better service to Europe by pursuing its national interest and managing an orderly exit from the eurozone. This would allow other countries to follow, reclaiming fundamental prerequisites for democracy to work at the national level, such as control over budgetary decisions and priorities. But there can be no doubt that both scenarios would be extremely costly and messy.

To deliver more, the EU needs to do less but to do it better. To succeed, Europe must accept the limitations of its post-democratic and post-national politics. Reversing some of the more ambitious EU agendas might be at least as difficult and painful as continuing on the path towards ever-closer union. However, if the continuing march forward is causing more harm than good, partial and well-managed disintegration may well be preferable to a chaotic implosion.

What tragic irony: the unravelling of the European project can be dated back to 1989, when communism collapsed in the East, but not owing to pernicious legacies of communism there — as many people feared might be the case — but rather owing to the excessive confidence in the West in the possibility of a radically new beginning for Europe as a whole. Europe is failing and has no need for radically new beginnings and further experiments with supranational democracy. It must accept its limitations. It could do worse than learn from a great Irish European, Samuel Beckett, writing in English and French about the perennial problem of our fragile predicament: "Fail, fail again, fail better."

This article is excerpted from Stefan Auer's forthcoming book *Whose Liberty Is It Anyway? Europe At The Crossroads*, Seagull Books, March 2012. The author thanks Nicole Scicluna who assisted in researching and writing the book.

¹ Jeremy Rifkin, *The European Dream: How Europe's Vision of the Future Is Quietly Eclipsing the American Dream*, Cambridge: Polity 2004.

² Mark Leonhard, *Why Europe will run the 21st century*, London: Fourth Estate 2005.

³

Stephen Hill, *Europe's Promise: Why the European Way Is the Best Hope in an Insecure Age*, Berkeley: University of California Press 2010, 18.

- ⁴ Joschka Fischer, "Europe's Sovereignty Crisis", Project Syndicate, 31 July 2011.
- ⁵ Ulrich Beck, "This economic crisis cries out to be transformed into the founding of a new Europe", *Guardian*, 13 April 2009; "Mein Gott, was für eine Chance!" *Die Zeit*, 19 March 2009.
- ⁶ Die Welt, 20 August 2011.
- ⁷ Leon de Winter, "Zurück zur EWG", *Der Spiegel* (20) 2010,150–152.
- ⁸ Ulrike Guérot and Mark Leonard, "The New German Question: How Europe Can Get the Germany it Needs", *European Council on Foreign Relations Policy Brief*, 2011.
- ⁹ Andrew Rettman, "Brussels rebukes Slovakia over Greek u–turn", *euobserver.com*, 2010.
- ¹⁰ Kalypso Nicolaïdis, "The Struggle for Europe", *Dissent*, Fall 2005.
- ¹¹ Kalypso Nicolaïdis, "We the Peoples of Europe: A More Perfect Union", *Foreign Affairs* 83(6) 2004: 97–110 (103).

Published 2011–12–01

Original in English

First published in Eurozine

© Stefan Auer

© Eurozine