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The EU's Existential Crisis

After months of political and media comment it is likely that everyone has now understood that the EU finds itself at an historical crossroads. The current, long standing system is groaning and creaking on all sides and increasingly complex financial instruments are being used to patch things up and prevent the whole structure from collapsing.

Economic failure in individual EU Member States, the unprecedented violent revolt against the external imposition of austerity measures and the growing success of both left and right populist parties as the crisis has progressed have made the public and politicians sit up and question what the whole thing is about. Why do we need the EU? Is not the nation state, with its relatively homogeneous population, the better way to achieve the common good, however defined? Does anyone actually know how much you can buy with 750 billion euro?

The EU has sunk into an identity crisis, without appearing to know what sort of questions it needs to answer. Trotting out economic factors and the value added that individual Member States gain from the EU in the manner of a religious litany has become so politically charged that it is being attacked as an established and therefore questionable dogma. Without doubt, the completion of the four fundamental freedoms of the EU's single market is not as advanced as one would like but the significance of this project cannot really be questioned.

The actual questions that Europe needs to ask in this crisis are quite different and much deeper – they concern the EU's political, legal and moral basis. Why should various nations enjoying the right to self-determination agree to enter into a union? Who should dictate policy? How can one justify the imposition of a programme of economic saving on the population of a Member State that ignores the democratically elected government?

1. The nation state in the European Union

Before we examine the question as to why a nation state would knowingly surrender sovereignty to enter into a community with other countries, we should perhaps ask ourselves why individuals first decided to create the nation state. Although we are discussing two different entities, it is credible that the driving force behind the foundation of the nation state could, in many ways, be the same as that, that led to the setting up of supra national organisations such as the EU.

If we leave to one side the idea of the state as an organic entity and concentrate instead on the contractual aspects, we have one justification for its existence and its consequent monopoly on promoting the common good. This would not be possible with egocentric individuals in charge but it does, however, imply a necessary limiting of individual freedom on the part of the state. The famous emergence of man from his natural, warlike state (see Hobbes' *homo homini lupus*) and his submission to the power monopoly of a country form the foundation of all theories on the state. If, however, in a monarchy the common good were to be embodied in the ruler, the fundamental problem of democracy would be to balance the justifiable individual interests of the citizen against the potential gain from some vague idea as to what would be good for all. If the monarch identifies himself with the state then the citizen of a democracy will, in turn, have to identify himself with the state in order to make legitimate action possible in the first place. The validity of law in a democracy is therefore based on a shared idea as to the common good and the acceptance of the double role that each citizen plays incorporating support for this common good with private and individual needs.

The requirements of a nation pose our next conceptual problem – for who exactly decides how the state will be constituted? Agreement as to a diffuse common good will certainly require that those deciding will at least need to share some common values and goals. More important will surely be language, culture and a common history: all concepts that allow individuals to develop firm bonds with each other, even though the majority of people do not recognise them and not to mention the fact they would not find

much sympathy for each other should they get to know them. To a certain extent the state exists on this image of togetherness and, as history has often shown, different cultures and ethnicities living together in a single state can, in extreme cases, result in inhuman atrocities. Not for nothing does modern international law in the shape of the UN Charter (Article 1) speak of “self determination for peoples” and not for nothing does this controversial idea lead time and again to bloody conflict and the partition of countries.

In contrast, would not a peaceful union of countries and peoples provide the only viable way to protect self-determination in a globalised world of transnational business concerns? Does not the increasing complexity and multilateral nature of economic dependence in the global market call for organisations able to restore societies’ ability to act and create new areas in which to operate? “If a system is more democratic to the extent it permits its citizens to govern themselves on matters that are important to them, then in many circumstances a larger system would be more democratic than a smaller one, since its capacity to cope with certain matters- defence and pollution for example- would be greater.”¹ In today’s world could the essence of democracy imply that, in the end, many states, perhaps even all states will be forced to come together in a union?

2. Market v State

The current interplay of forces in international financial markets creates the impression that politics is no longer about providing a framework to encourage economic growth and prosperity but rather to protect the state from each new attack from the financial sector and even this is done in a hesitant manner. In the course of the European sovereign debt crisis it has been, and continues to be, suggested that the state and the market are not partners but opponents. The roots of the crisis cannot be blamed on either party. The conditions for the excessive debt of banks and governments were created by the state (or the EU). When the US government refused to rescue Lehman Brothers in 2008 it was already too late as a number of organisations, trusting that the state would come to their aid, had already taken on more debt than they could ever hope to pay off. On this side of the Atlantic the same thing had happened in Greece and other countries that, putting their faith in the credit worthiness and liquidity of the other euro countries, took on ever increasing mountains of debt. Stability pact rules that should have prevented this proved to be so susceptible to political interests that they could never have offered effective protection.

The problem of ‘moral hazard’ behind all the bank and government bailouts has yet to be satisfactorily solved to the extent that markets have little incentive to observe the well-meaning declarations of intent coming from industry and politics. The oft berated market, even with its turbo capitalism is, however, less of a problem than the failure of politicians to regulate markets: with the removal of the connection between risk and responsibility the foundations of the crisis were laid that still has the world holding its breath and whose consequences continue to prove difficult to rectify. From the current standpoint, the destruction or dismantling of so-called vital organisations appears to be impossible, especially in the context of the global financial industry. The much-trumpeted G-20 bank regulation, announced in 2008, has made very little progress. The discrepancy between political decision making and external market constraints is greatest in the EU where Member States call one emergency summit after the other and then only a few days or even hours later dismantle whatever wall they have constructed in a series of uncoordinated individual actions.

The above-mentioned common good that the EU has writ large has degenerated into a helpless attempt at anticipating the economic expectations of the markets in order to influence positively the rating agencies, analysts and bankers. Naturally, there can be no doubt as to the importance of these institutions – only the politicians running to obey them can be deemed questionable. If individual states stopped blaming the EU or other members for the failure of all the various attempts at regulation and instead agreed a concerted effort, it would no longer be impossible to find a common denominator.

¹ Robert A Dahl, “Federalism and the democratic process”, in: J Roland Pennock/John W Chapman (eds), *Nomos XXV: Liberal Democracy*, New York: New York UP 1983, p 95-108, p 105

Member States as a unit have simply failed to demonstrate the courage to lead and shape events (individual states are powerless to act on their own in this area). If it were clear from the outset what sort of economic decision would lead to the best result, no further political leadership would be necessary. The idea that political union in Europe would one day come about on its own as a result of ever increasing economic interdependence, seems to have had its day. On the contrary, economic grievances in some Member States are used to denigrate whole nations as 'lazy' or 'wasteful' thus using the sort of chauvinist language that we thought had disappeared with the heyday of nationalism. The economic integration that has for years driven Europe forward in the spirit of rational cooperation rather than warlike conflict has given way to a situation in which the value of the individual is measured in terms of the economic success of his or her homeland.

This development was perhaps most obvious in regard to the Greek referendum on its sovereign debt crisis, called by Prime Minister Giorgos Papandreou on 01.11.2012 and that never came to pass. Only a few days after the heads of state and government had agreed a new programme to save Greece, Papandreou caused an outcry in the whole of Europe when he declared that he would call a referendum to allow Greeks to express their opinion on the latest austerity measures (and with it whether they would stay in the eurozone). As soon as the news of the planned referendum was known, experts, rating agencies and banks were overwhelmed with requests for opinions on the future of Greece. It was generally agreed that it was unacceptable for the Greeks, apparently ignorant of the problem and the consequences of the situation, to decide for themselves when the heads of governments had already agreed on a rescue plan. The anticipation of all the awful economic consequences of a 'no' vote and pressure from European partners resulted in the Greek prime minister calling off the referendum. If the modern nation state means that an exclusive group of individuals, within the parameters of a binding legislative framework, has a duty to protect and bestow freedom from both internal and external threats, is it not then unheard of for a population to be deprived of the right to vote on such a serious decision?

One can think what one likes about the reactions to Papandreou's referendum but one thing is perfectly clear: we need to have an explanation as to why the Greeks should not be consulted about Europe's right to impinge on their sovereignty for the greater good. The austerity measures demanded of Greece by the European Central Bank (ECB), the International Monetary Fund (IMF) and the EU Commission claim legitimacy in that they are furthering the European common good over the particular interests of an individual Member State. This explanation, however, is not adequate. It would appear that, until now, nobody has made any attempt to tackle the real questions concerning Europe's existential crisis: does the EU only exist to pursue economic theory and make industry and commerce its most important policy goals or is it about something more?

3. One for all and all for one?

How we respond to the crisis and how the people in the Member States accept their various austerity measures will, in the end, depend on what we understand the basis of the European Union to be. We need to articulate clearly why, for example, the Greeks need to undertake strict austerity measures in order to avoid a possible breakup of the euro zone rather than simply return to their own currency. Economic experts contest which of these solutions in strict economic terms would be the most sensible but what we are really talking about here concerns legal, moral and political prospects. There are fundamentally two different approaches to justify EU fiscal union: an 'absolute' reason and a 'relative' reason.

The 'absolute' reason is perhaps the oldest form in human history, based as it is on the principle of absolute right, free of any doubt and regarded as the unspoken basis of all other rights. Arguably religion provides the main form of 'absolute' basis, maintaining that moral and legal standards can only be defined by a superior being, whose will ultimately determine the law. The reason as to why something is right could be based on God or Allah or another deity. The Catholic Church and countries such as Iran are just two of the many supporters of this idea even today.

A later development in contrast to 'absolute' law was natural law. In contrast to positive law (i.e. man made law of a given time and moral outlook) that in principal can be used in any form as long as it

abides by certain formal conditions, natural law dictates that there are certain inviolable rights that form the basis of all law. There has naturally been endless debate and time and again it has proved difficult to formulate the exact nature of natural rights so that they can be developed into legislation. Today, it is still hard to say what constitutes natural law, although a number of human rights, such as the right to life and the prohibition of torture, are widely recognised by the majority of legal experts as natural rights.

Is it possible that today's EU is based on the 'absolute' model? In the course of the financial crisis we have often heard of western governments' faith in the market, a dependence on the finance industry in the belief that its profitability will inevitably bring more prosperity to all. Perhaps one could also say that with the new economic governance of the revamped Growth and Stability pact a principle is being established that without further scrutiny will become the maxim for all future dealings. However one approaches it, the problem of this 'absolute' basis for the EU is that it is very technocratic in its current form and requires an enormous amount of expertise to understand the Union's budget plans for the coming years if not decades. There is still the danger that these seemingly neutral commitments tend to utilitarian economic goals. Who, if not the larger more prosperous Member States, defines the goals that the Union has to achieve? It could well come to pass that some Member States would be sacrificed on the road to the greater common good without being able to defend themselves.

In contrast a 'relative' model of the EU would start from the basis that the explanation for the right to direct national budgets is in the interests of all EU citizens. It is not the case here of some form of external goal setting but rather the pursuit of the common good. This in no way means that it will no longer be possible to dictate austerity measures to individual Member States but rather explanations will need to be more detailed than a few figures and graphs. The relationship is similar to a move from the organic theory of the state to one based on contract: on the one side is the concept that the whole is greater than the sum of its parts; and on the other, a state that only exists to guarantee its citizens optimum prosperity and freedom. Are we considering a Europe of nation states or a Europe of the people? If the eurozone austerity measures were explained in relation to the whole, this would lead on to the postulation of a Europe of the people, sharing common goals and values, willing and able to share certain burdens that in the end prove conducive to the common good.

Whether or not we already have such a community of citizens is rather uncertain even if one assumes that there ever can or will be a clear answer to this question. Just as in the question of community in a nation state, we also need to ask if things such as a common culture, language and history are necessary and, if so, how far they already do or could exist in the EU. If the answer is 'yes' and we assume that all Europe's citizens have or at least have the potential of a common identity then it is perfectly justifiable to have a certain amount of codetermination of individual member state budgets. At the same time, we would also need a strengthening of the EU's supra national structure. The current system of intergovernmental negotiations looks outdated given the rising level of public outcry.

There already appear to be a number of promising avenues that could bring about a citizens' Europe based on more solidarity, although we are still at the very early stages and only time will tell which of these various options will prove to have staying power, given the complex supra national nature of the EU's structure. One point that is frequently debated is the lack of government – opposition division in the European Parliament. Since the introduction of direct elections in 1979, there has never been any clear division that makes it obvious to the outside observer which political party is responsible for what legislation. This was a deliberate policy and it has its advantages, being flexible enough to allow the successful construction of majorities even when there is political trench warfare. For the average citizen, however, it is very difficult to see which political group is responsible, especially as national reports mostly just refer to 'the European Parliament' and not to the individual parties driving the work. The EP's complexity allows the political parties to work well with each other but the interested citizen soon loses any kind of clear overview of its workings. More 'populism' and public debates could be helpful here – not only to make the work of journalists easier but also to give wider coverage to important areas of EU policy and stimulate lively debate. Cross border political parties would be a ground-breaking move in the right direction as until now, Europeans simply elect national members campaigning on national manifestos. This naturally appears to be a continuation of national politics at European level even though

many members on joining the European Parliament quickly adopt a considerably more 'European' approach. This does not help the voting public to escape the limitations of national candidates. If voters from Spain to Finland were able to debate the same manifesto and candidates, then perhaps we would have a common structure on which to build. Only the European Greens appear to be making any effort to organise themselves on a cross border basis, with common policy statements etc.

There is another project that holds potential for improving popular participation and interest in Europe, namely the European Citizens' Initiative (ECI) agreed by the Treaty of Lisbon and in force since 01.04.2012. The ECI allows the Commission to deal with a certain theme and where applicable introduce legislation if one million citizens in one quarter of the member states request such an initiative. The first ECI, *Fraternité 2020*, dealing with the enhancement of EU exchange programmes such as Erasmus or the European Voluntary Service, was symbolically presented to the Commission on 9 May (Europe Day) and closely followed by a number of others. This is a positive sign as it demonstrates that Europe's citizens are not put off by the amount of organisation needed to carry out such an action in many member states. It can only be a question of time before controversial subjects are debated across national boundaries and the supra national nature of politics is discussed in pubs and clubs. Ultimately, this development will very much depend on the attitude of the Commission, as it is the organisation that listens and takes seriously the concerns of the members of the public – the ECI alone does not imply any legal duty to act.

The EU could also be supported by other unexpected sources: the continuing escalation of the financial crisis has demonstrated that a currency union without an accompanying political and fiscal union was, from the beginning, impossible. The heads of state and government have needed some time to recognise this. Recently, even Angela Merkel jumped on the bandwagon demanding more political union in the form of deeper cooperation (or stricter control) of member state budgets. Admittedly the creation of a political union is an enormous step that could only occur as a result of a crisis so profound that the moment arrives in which preserving the EU takes precedence over quarrels as to taxation and budgetary matters. Quite whether this step will ever be taken is, for the moment, impossible to say but the time will come when a decision will have to be made one way or the other and, depending on the outcome, the EU will be fundamentally changed. The sort of tax and debt union that has frequently been demanded is completely unrealistic as long as intergovernmental decision-making is given precedence. This system is far too susceptible to horse trading and double-dealing as there are no institutions able to exercise power and influence from a neutral point of view.

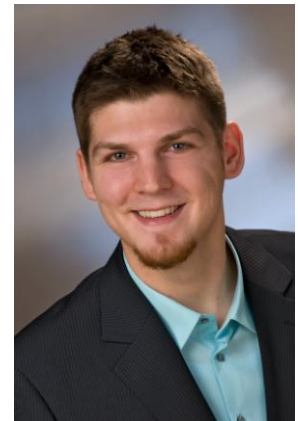
Conclusion

To date, EU heads of state and government and leading personalities from supra national institutions have been unable to make clear to the average citizen why they should stand together. Recalling 60 years of peace in Europe and references to economic data that once again need to be geared to the north would appear to be no longer sufficient reason for continuing the EU. If the welfare of the EU only comes to be described as the aim of a loose collection of competing nation states, then there is a definite danger that, sooner or later, this combination will develop into a form of federal executive that will ultimately break apart. If EU development is not to be halted and the path cleared to supra national government, then the people of Europe need to understand that they constitute a civil community. If we want to regain authority over the economic system we must take steps to remove competition between member states and move to cooperation between the people. How far the public will accept further austerity measures will depend on the degree of solidarity they feel. For this reason it is indispensable that the EU justifies itself to its citizens.

First steps to this are being discussed (but not exclusively) at the top level and it is clear that the solution lies in cooperation between a European movement at local and regional level and further democratisation and greater transparency of European politics. The response to the challenge of the current crisis cannot be the use of those areas where the EU is weak or in error, as a pretence that could question the whole project. Rather it should be made perfectly clear that the EU is probably the only reason that the continent has escaped the worst effects of the crisis. Repairing the weak points and improving Europe should be the job of its citizens. There should not be a return to national interests.

Germany has a particular responsibility here because, as the largest financial supporter and to a certain extent the 'protector' of the debtor countries, it has an even greater interest and will be more affected by the fate of these countries. For the time being, Germany is the greatest creditor that also (for the most part) dictates the conditions of the loan. Pure and simply this is the right of any country that helps less successful economies out of their difficulties. It would be more far seeing, however, to strengthen EU institutions and give them more responsibility and decision making competence. In this fashion nobody could continue to complain about the one-sided imposition of austerity measures as the economic survival of the currency union is in the interest of all market participants and this would be by regulation at the supra national level. EU institutions, particularly the European parliament, need to be given more competence than they currently have. Currently the EP is the only institution that can legitimately claim to represent all the citizens of Europe. Intergovernmental negotiations are simply inadequate as it is naturally those who have the money that call the tune (which also makes them vulnerable as in the case of Germany). Ultimately the situation is the same as that of the individual who becomes part of a state: the reason for the existence of the EU and the associated ceding to it of sovereignty is the promotion of the common good, impossible to attain via the self centred interest of individual states. It is precisely for this reason that the EU needs to restrict national interests. This would then be the withdrawal of the individual state from the 'natural state of conflict'.

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