

THE IMPACT OF EUROPEAN INTEGRATION ON NATIONAL DEMOCRACIES:

DEMOCRACY AT INCREASING RISK IN THE EUROZONE CRISIS

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Introduction

European integration has long had an enhancing effect on Europe’s national democracies. In addition to meeting its initial commitments to peace and prosperity, the European Union has generated policies to address problems that national governments cannot resolve effectively on their own in an increasingly globalized world. But while deepening European integration has benefited the member-states of the European Union in countless ways, it has also had some unanticipated side effects on their national democracies.

As decision-making in policy area after policy area has moved up to the EU level, European integration has increasingly encroached on issues at the very heart of national sovereignty and identity. Money and monetary policy, economic organization and labor markets, borders and immigration, public services and even welfare guarantees all increasingly come under EU policies or prescriptions. The problem for national democracies is not so much that EU policies have encroached on national ones, however, but that citizens have had little direct say over these matters, let alone engaged in EU wide political debates about the policies. The fragmented nature of European ‘democracy’ has meant that while the policies are decided at the EU level, generally in an apolitical or technocratic manner, politics remains national. National democracies as a result have increasingly become the domain of ‘politics without policy’ whereas the EU level appears as ‘policy without politics’¹—however ‘political’ (or politically charged) the policies may actually be, in particular in the Eurozone crisis.

As national citizens have had less and less direct influence over the policies that affect them the most, they have expressed their concerns at the only level at which they are able: the national. Citizens have increasingly made their displeasure known through protests and the ballot box—leading to the rise of the populist extremes and the increasing turnover of sitting governments. National governments, moreover, have found themselves caught more and

¹ See Schmidt 2006, Ch. 1, 4.

more between citizens' electoral expectations and the EU's collectively agreed rules and decisions.

National governments as a result confront dual challenges: from populism at the national level and from technocracy at the EU level. But technocracy is itself a creature of the governments themselves. As member-states in coordinated intergovernmental EU agreements, they have increasingly delegated implementation and oversight powers to supranational authorities such as the EU Commission, the European Central Bank, and a proliferating number of regulatory agencies. Again, although pooling their authority to delegate responsibility may have been the best way to meet the global challenges, it has also further reduced governments' national margins of manoeuvre, in particular with regard to the demands of large numbers of their own citizens.

The Eurozone crisis has made such matters worse not only because of the politics and economics of hard times but also because of the EU's economic policies and governance processes in response to the crisis. These have only intensified the democratic challenges for citizens and their governments alike, as more and more decisions have been taken through EU level intergovernmental coordination and supranational delegation.² Citizens have felt their diminished influence all the more acutely, resulting in a precipitous loss of trust in both their national governments and the EU that has also manifested itself in even greater political volatility.

Note, however, that the impact of the EU, in particular in the Eurozone crisis, has been highly differentiated. Not only have citizens' reactions to the EU and the Eurozone crisis been very different across the member-states but national democracies have also had very different experiences of the EU and the Eurozone crisis. While some national democracies have been greatly undermined, others have been empowered. Countries under 'conditionality' from loan bailouts supervised by IMF and EU institutions or where technocratic governments have substituted for elected ones have naturally been the most affected. Greece under the latest bailout agreement is arguably the most extreme example of the hollowing out of national democracy, whereas Germany—given both its in the Council and the role of its Constitutional Court in vetting EU legislation—has arguably been best able to ring-fence its own national democracy.

The question for the EU, then, is how can it manage to recapture the hearts and minds of all of its citizens across its member-states? And how can it rebalance EU decision-making to make it more generally democratic? The question for national governments is how to retain enough control to satisfy the demands of national democracy without undermining the goals of European integration?

² Fabbrini 2013; Dehousse 2015.

European Integration and National Democracy

European integration has all in all been a major boon for the EU's member-state democracies. Integration has enabled the comparatively small countries of Europe to stand together as a supranational region, thereby giving them international scale and scope. It has equally enabled them to stand up to the challenges of economic globalization in an increasingly interdependent and competitive world economic system, by regionalizing their economies through a single market and a common currency. But the very integration processes that have served to enhance the substantive quality of member-states' democracies, by giving them peace and prosperity at home along with extra heft as a regional power and economic authority in the international arena, have at the same time impoverished the procedural quality and political dynamics of their democracies.

European Integration and Democracy

European integration has been a democratically negotiated process among member-states, as they slowly and incrementally pooled sovereignty, shared authority, and created joint control in policy area after policy area and institution after institution. The customs union was followed by the Single Market, Schengen, and European Monetary Union (EMU); the Court of Justice of the EU (ECJ) gained supremacy and direct effect; the European Central Bank (ECB) was given control over money, monetary policy, and banks most recently; and the Commission increased its supranational powers of negotiation, regulation and oversight in areas such as international trade negotiation, financial markets and EMU via the European Semester for budgetary oversight.

The reduction of national democracy has been an inadvertent byproduct of such increasing integration, as more and more decisions are taken at the EU level rather than the national. This has thereby emptied national democratic politics of substance without at the same time creating a fully democratic politics at the EU level in substitute.

The lack of citizen access to EU decision-making has only marginally been remedied by the incremental rise over time in the powers of the European Parliament (EP) as the direct voice of the people, in particular through its increasing influence via co-decision procedures with the Council and Commission, and by measures for direct citizen access such as the EU ombudsman and the citizen's initiative petition. In the case of the EP, any claims that it is the most representative of EU bodies because of its members' direct election 'by the people' are weakened by the high levels of abstention in EP elections and the second order nature of such elections.³ Moreover, in the Eurozone crisis, any such claims to representativeness are

³ Franklin, and van der Eijk 2007

additionally weakened by the fact that the EP has had by treaty very little remit in EMU governance, although this changed somewhat over the course of the crisis.

Equally problematic are any member-state leaders' claims that their indirect election to the European Council by their national citizens makes the European Council the most representative forum, and themselves the most legitimate to legislate for all EU citizens⁴—as President Sarkozy seemed to insist at the height of the Eurozone crisis when he defined a more democratic Europe as “a Europe in which its political leaders decide”⁵ and Chancellor Merkel appeared to assume when she explicitly commended the new ‘Union Method.’⁶ Not least is the fact that member-state leaders can only legitimately agree to impose austerity measures for the citizens who elected them, not on others—which they nevertheless did for countries in need of bailouts during the Eurozone crisis. But even if it were legitimate for member-states to agree to legally binding austerity measures for everyone, delegating to their agent (i.e., the Commission) the discretionary authority to implement such rules is not similarly legitimate, given the necessarily ad hoc nature of the specific application of those rules to any given country.⁷

Additionally, assuming that the Council serves as a representative forum fails to deal with the fact that during the Eurozone crisis, it acted initially more as a bargaining arena in which one member-state (Germany) exercised the greatest influence. Although academic scholarship on the Council has suggested that the deliberative mode prevails over hard bargaining even where qualified majority voting occurs because of the focus on consensus,⁸ in the Eurozone crisis deliberation has occurred in the shadow of Germany.⁹ In the months leading up to the May 2010 bailout of Greece, Germany, as the strongest economically and the most opposed to taking a decision, ensured that no decision could be taken, given the unanimity rule, until Chancellor Merkel finally agreed in order to “save the euro.”¹⁰ Germany's predominance has manifested itself not only through that country's sway in the Council decision-making process, in coordination with coalitional allies. It has also been evident through German leaders' ability to determine the analysis of the Eurozone crisis and set the terms for the response.

Despite the reality of a crisis that resulted from an explosion of private debt and a structure of the euro that had produced increasing divergences rather than the expected convergence between countries,¹¹ the crisis was framed as one of public debt rather than private—by

⁴ Schmidt 2015a

⁵ In a speech in Toulon (Dec. 1, 2011)

⁶ In a speech at the College of Europe in Bruges (Nov. 2, 2010)

⁷ Scharpf 2013, pp. 138-9

⁸ Novak 2010, Puetter 2012.

⁹ See Schmidt 2015a

¹⁰ See Schmidt 2015a; Jacoby 2015.

¹¹ See, e.g., De Grauwe and Ji 2012; Enderlein et al. 2012; De Grauwe 2013; Blyth 2013

reading off the Greek case—and diagnosed as behavioral rather than structural, from not following the rules—which was again only true for Greece (and Germany and France in the mid 2000s). As a result, the remedies all focused on ‘governing by the rules and ruling by the numbers,’¹² that is, on reinforcing the rules and more strictly specifying the numbers through the various legislative packages and intergovernmental pacts (Six-Pack, Two-Pack, and Fiscal Compact) while increasing budgetary oversight through the Commission-led process known as the ‘European Semester.’ EU leaders in the European Council spent their time agreeing to restrictive rules and sanctions rather than finding lasting solutions to the incomplete risk pool and insurance mechanism that constituted EMU, and that had been put in place more by default than design.¹³ What was in fact needed was greater solidarity through some form of mutualization of debt (e.g., Eurobonds) or macroeconomic stabilizers (e.g., an EU-wide unemployment fund).¹⁴ But Germany was adamantly opposed to any such ‘transfer union’ from the very start.

Finally, Germany’s over-sized influence in the EU also stems from the features of its own national democracy, in which the Constitutional Court has played a major role in deciding what is democratically legitimate for Germany and the EU. The Court has thereby served as another power resource for German leaders, who frequently invoked the Constitutional Court to delay decisions, as they did with regard to bailing out Greece. But more importantly, the German Constitutional Court has also inserted itself repeatedly into EU matters, most notably with its hearings on the ECB’s ‘unorthodox’ monetary policies, in particular with regard to ‘OMT’ (open monetary transactions) through which ECB President Draghi had promised to ‘do whatever it takes’ to save the euro in July 2012, which had stopped market attacks on member-state debt. Such judicial activism is in and of itself perfectly appropriate by the standards of national democracies. But it is problematic for EU governance at the very least in terms of its efficiency: What if all member-states’ constitutional courts were to do the same?¹⁵ Most significant here regarding our concerns is that the German Constitutional Court is the only national court to assert its right to vet such EU decisions, with the effect of casting uncertainty on those decisions.

Democratic Governance in the EU

The problem for the EU is that without a fully developed ‘government’ similar to that of national democracies, EU citizens are unable to aggregate their concerns and demands in such a way as to express their will directly at the EU level. There are naturally good reasons for why this would neither be feasible nor particularly ‘democratic’ in the EU up until today. Such reasons have been discussed and debated at length, including the lack of a European

¹² Schmidt 2015a

¹³ Schelkle 2015; Jones 2015

¹⁴ Claessens et al. 2012

¹⁵ Dehousse 2011

'demos,' a sense of common citizenship and identity, or even a single public sphere.¹⁶ More recently, the scholarly conversation has shifted to seeing the potential for EU democracy more positively because made up of overlapping public spheres¹⁷ and consisting of *'demoi'* which would therefore be capable of constituting an EU *'demoicracy'*¹⁸ or creating a 'European Republic.'¹⁹ But for the moment, the EU is far from any supranational democratic reality. Importantly, even were there to be any such supranational government, we would still need to consider questions of national democracy—in particular with regard to how the member-states' national democracies would fare within any such supranational democracy.

Be this as it may, in the current context we can nevertheless discuss the democratic qualities of the EU. This is because the EU does have a range of 'governance' (rather than government) processes with multi-level representation and coordination that ensures that it stands up to many of the tests of democratic legitimacy even in the absence of a 'democracy' similar to that found at the national level. Three such tests or legitimizing mechanisms are theorized in the EU studies literature.

The first test or legitimizing mechanism consists of EU policies' 'output' effectiveness and performance, judged on the basis of the results of, say, the regulatory policies of the Single Market or the monetary policies of the Single Currency. The second is the EU's 'input' representation of and responsiveness to citizens' political demands and concerns, which is institutionally based in member-states' indirect representation of their citizens in the Council and the EP's direct representation of EU citizens. These are often theorized as allowing trade-offs in which more of the one makes up for less of the other. For example, when supranational agencies produce good policies (that is, policies that citizens believe are successful and appropriate), this is seen to make up for the fact that the citizens have not voted for those policies.²⁰

The third test encompasses what I call the 'throughput' quality of the EU's governance processes, judged by their efficacy, accountability, transparency, and inclusiveness. Here, there is no trade off with input or output legitimacy: Where the quality of the throughput processes is good, they are not noticed by the average citizen; but where the quality is bad, they can skew public perceptions of input responsiveness or taint views of output results.²¹ Notably, during the Eurozone crisis questions have arisen on all sides about the quality of governance by the ECB, the Commission, and/or the Council.

¹⁶ Most notably, Weiler 1995 Grimm 1997

¹⁷ Risse 2010, 2015

¹⁸ Nicolaïdis 2013

¹⁹ Collignon 2004

²⁰ Scharpf 1999; Majone 1998

²¹ Schmidt 2013

Opinion is split on the ‘throughput’ legitimacy of EU governance processes in the Eurozone crisis. Divisions persist, for example, on whether the ECB acted too slowly or went too far in terms of its ‘unorthodox’ monetary policies; whether the Commission has been too flexible or not flexible enough in its application of the rules; and whether the Council has been too active or not enough in its creation of new instruments to weather the crisis. Naturally, ‘output’ legitimacy is also at issue, that is, whether the ECB’s monetary policies, the Commission’s oversight, and the Council’s legislation have produced good enough results in the Eurozone. And here, the answer is likely to be negative, when judged by overall rates of economic growth and levels of poverty, unemployment, and inequality.²²

Beyond these questions of EU level output and throughput legitimacy are ones related to input legitimacy. They are situated in particular at the intersection of EU ‘democracy’ with its member-states’ national democracies, especially in the midst of the Eurozone crisis. The increase in the Council’s intergovernmental decision-making that centralized power in the hands of member-state executives, however necessary at the height of the crisis, worked to the detriment of the more ‘input legitimate’ co-decision making with the European Parliament. It also cut off the ‘throughput’ legitimacy that comes with greater transparency in decision-making as well as with greater inclusiveness, by closing off decision-making to pluralist processes through the EP or the Commission which tend to provide access to citizens operating in cross-national as well as national interest groups and social movements. Moreover, the increase in supranational governance through Commission oversight of national governments’ budgets in the European Semester—which the Commission vets even before national parliaments have had a chance to comment—has reduced a key component contributing to national parliaments’ input legitimacy.

The most significant problem for national democracies subordinated to the EU’s supranational governance system, however, is that the EU does not have the main constitutive component of national democracies’ input legitimacy. National elections bring in new majorities that are able to alter the rules, or even rescind them. This is not the case in the EU, where treaty change is very difficult if there is no consensus among the twenty-eight member-states, given the unanimity rule as well as the fact that some member-states are required to hold national referenda.

In national democratic polities, when economic prosperity plummets and policies go awry, we generally assume that citizens will elect new political leaders with mandates for policy change in the expectation that both the politics and the economics will improve. Not so in the European Union (EU), where citizen dissatisfaction with EU governance of the Eurozone crisis can do and has done little to change the policies forged at the EU level. Whether citizens express their concerns through protest or votes, including voting out national

²² But see Schmidt 2015b.

governments and voting in Euroskeptic parties on the political extremes, they have had little impact on EU level decision-making. And because EU decision-making is itself largely apolitical and technocratic, it also serves to undermine national party government, which is political and normative.

The EU's Challenges to National Politics and Democracy

The problem for national democracies is that the EU has actually unsettled the balance between the two main functions of national level political parties in their relations with their constituents. Increasingly over time, European integration has forced parties to privilege responsibility over representation, by enhancing their governing role to the detriment of their responsiveness to national electorates.²³ Responsibility without responsiveness alienates the citizens, while responsiveness to the detriment of responsibility puts national governments at odds with the EU rules, and at risk of sanctions. The pressures to be responsible affect not only the sitting governments that agreed to the policies but also the opposition parties that may have campaigned against the very policies that they will be expected to implement when they gain office, even against ‘the will of the people.’ The result is a step-change in member-states’ commitment to responsible government, to the detriment of responsive government, leading to the ‘politics of constrained choice.’²⁴ In consequence, even as national electorates clamor for more domestic input into the decisions that affect their lives, governments are forced to implement decisions that emanate from the EU, which may not be in tune with domestic perceptions of the policies that they believe would produce good and appropriate results.

EU Policy and Technocracy versus National Politics

To understand fully what this means, we need to consider the fragmented nature of EU multi-level democracy taken as a whole, in which politics remains primarily at the national level while policy has increasingly gone to the EU level. Put another way, the national level has increasingly become characterized by ‘politics without policy’ as more and more policies are removed from the national arena. This has thereby emptied national politics of substance, impoverishing the national political arena, and leaving the way open to populist contestation. At this same time, the EU level consists of ‘policy without politics.’ Member state leaders in the Council tend to eschew the language of the left or the right when speaking of their national interests, the EU Commission uses the language of technocracy, and the EP, if not left out of the game entirely, uses the language of the public interest.²⁵ This makes for depoliticized EU policy debates that use primarily technical arguments that do not resonate with European citizens, who are used to the left/right divides of national debates, often worry about EU

²³ Mair 2013; Mair and Tomlinson 2011.

²⁴ Laffan 2014.

²⁵ Schmidt 2006: 21–29.

policies on left/right grounds, and expect normative arguments that resonate with national values and political concerns.

Such apolitical or technocratic language and discourse enable member-state leaders to cast their nationally focused discussions of EU policies in whatever way they deem appropriate for their domestic political audiences.²⁶ The fact that member state leaders' references to the EU often take the form of blame-shifting ('the EU made me do it') or credit-taking (without mentioning the role of the EU) only increases problems with regard to public perceptions of the EU. And it feeds into populist discourse about the EU being responsible for all national problems, together with the national politicians who go along with EU demands.

Yet, and here is the rub, although the EU-level discourse may appear apolitical and technocratic, as 'policy without politics,' the actual content of the policies is certainly political. The economic policies, in particular in response to the Eurozone crisis, although cast as TINA—there is no alternative—are in fact conservative, following ordo-liberal principles focused on the need for 'sound money' and 'stable finance' in the macroeconomic sphere and neo-liberal programs focused on 'structural reform' of national labour and welfare systems. Moreover, while the policies are in this sense 'political', neo-liberalism itself, in its more extreme forms, can be seen as anti-political or even anti-democratic—with technocratic rule assumed better able to solve problems through non-majoritarian institutions run by experts than political rule, populated by 'rent-seekers'.²⁷ Notably, whether or not policymakers buy into the anti-political philosophy of neo-liberalism when taken to its extremes, they carry it out when they impose policies decided in Brussels on national constituencies. EU technocratic considerations often seem to take precedence over citizens' normative concerns, and to trump their political concerns because they cannot change the policies through national politics. This is when 'responsible' politics replaces 'responsive' politics, and when the politics of 'constrained choice' means that politicians implement policies that national parties and parliaments do not generate or debate and that the public may oppose.²⁸

One important contributing element to the crisis of mainstream national party politics has come from this increasing predominance of technocracy to the detriment of national party politics. As more and more seemingly depoliticized EU level technocratic decisions have become national policy, without real debate or significant involvement of national parliaments, national party politics and indeed national democracy has weakened. Definitions of democracy based on party politics assume that political parties will provide both political mediation—by aggregating and articulating competing conceptions of the common good—and a procedural framework expressive of the constitutive values of democracy, including the

²⁶ Schmidt 2006; J-C Barbier 2008

²⁷ Gamble 2013; Schmidt and Woll 2013.

²⁸ Laffan 2015

principles of parliamentary deliberation, the rules of decision-making, and the recognition of the legitimacy of opposition.²⁹ EU level technocracy, by sidelining both national mediation and deliberation, thereby weakens national party democracy.

An even greater concern is that ever-increasing technocracy plus ever-weakening mainstream party politics have together fuelled the rise of populism. Populists' main target is mainstream party politics, which they accuse of being run by self-serving and corrupt elites that have no interest in 'the people.' The irony is that technocracy also has as its target mainstream party politics, seen as inefficient and rent seeking (read corrupt). Technocracy and populism are very different things. But the danger of technocracy is that too much of it undermines mainstream, party-based representative politics while increasing support for the populists³⁰ And too much populism can lead to the destabilization of democracy.

Europe's Growing Political Volatility and Euroskepticism

The end result is the increasing political volatility that comes from citizens' sense that their preferences—whether expressed through the ballot box, social concertation processes, or social activism—don't count.³¹ Citizens have been punishing their national politicians with growing frequency and intensity, resulting in the increasing turnover of sitting governments.³² Political volatility has become the rule not only in the periphery but also in the core—in particular since the Eurozone crisis. France is a case in point—President Sarkozy was only the second president in the Fifth Republic not to have won a second term; President Hollande has had the lowest popularity rating of any president of the Fifth Republic (down to 12 percent in November 2014—although back up to a still very low 20% by April 2015). Governments are generally more fragile, and often on a knife's edge with regard to their majorities, while mainstream parties have been having more and more difficulty forming a government—as was the case of the Italian elections of February 2013. Even more problematic for the EU is the possibility that more anti-democratic or 'illiberal' governments will also emerge, as in Hungary. There are worrying signs even short of this, however, with the rise of far right extremist parties, such as the neo-Nazi party, Golden Dawn, in Greece, with 9% of the vote in the June 2012 elections, and still above 7% in the September 2015 election.

Increasing Euroskepticism or even anti-European—and not just anti-euro—feeling is part and parcel of the political volatility that only intensified with the continuing Eurozone crisis. The 'sleeping giant' of EU-related party divisions and Euroskepticism, long predicted by analysts, has finally awakened.³³ We can see this not just in the growing divisions over the EU within mainstream parties but even more significantly in the rise of extremist parties. These include

²⁹ Bickerton and Invernizzi Accetti 2015

³⁰ Bickerton and Invernizzi Accetti 2015.

³¹ Mair 2013

³² Bosco et al. 2012

³³ Franklin and Van der Eijk 2007.

not only hard right extremes but also the less extreme populists on the right (e.g., the National Front in France, Geert Wilders' party in the Netherlands), on the left (e.g., Syriza in Greece, Podemos in Spain), and in what we could call the less easily classified 'radical center' (e.g., the Five Star Movement in Italy, the AfD in Germany, and even UKIP in the UK). Notably, such parties can be found not only in the countries hardest hit by the crisis, in Southern and Eastern Europe, but also in those largely unaffected by the crisis economically, mainly in Northern Europe. This includes not only Scandinavia³⁴--with the True Finns' breakthrough in the 2011 Finnish elections, the Sweden Democrats' in the September 2014 elections, and the Danish Peoples Party's historic gain in the June 2015 election, becoming the second largest party in the country, and precipitating the collapse of the center-left government. Even Germany, which had seemed vaccinated against the extreme right, saw the meteoric rise of the AfD (Alternative for Germany) in 2014, along with an anti-immigrant extremist movement, Pegida.

The results of the European Parliament elections were also a sign of the rise of Euroskepticism, in particular with the victories of Marine Le Pen's FN in France and Nigel Farage's UKIP in the UK—although Prime Minister Renzi's massive 40% victory for the social democrats of the Democratic Party (PD) in the Italian contest (a first in the postwar history of Italy) suggests that there is hope for centrist parties whose leaders promise to make national views heard at the EU level as well as to make national democracy work better.

Importantly, although public disenchantment with the EU in any form is mainly seen in the rise of extremist and populist parties, especially on the radical right,³⁵ it can also be found in the polarization of views across national European public spheres, in particular between Northern and Southern Europe.³⁶ Such polarization is also evident in the growing differentiation in citizens' attitudes between a more cosmopolitan open idea of Europe and a more xenophobic closed view,³⁷ as well as in public debates that have become increasingly politicized around EU and Euro issues. This has affected both Eurozone and non-Eurozone countries, largely pitting the South against the North, with an increase in debates focused on questions of national sovereignty, whether against 'Northern' impositions of austerity by publics in the South, or against further supra-national institutionalization and loan bail-outs by publics in the North—and this despite the fact that the arguments of political elites engaged in crisis management have focused primarily on economic and political efficiency.³⁸

³⁴ Taggart, and Szczerbiak 2013; Usherwood, and Startin 2013.

³⁵ Gómez-Reino and Lamazares 2013

³⁶ Kriesi and Grande 2015

³⁷ Kriesi et al. 2008

³⁸ Kriesi et al. 2012, Kriesi 2014.

Surveys and polls document quite clearly this public disenchantment with the EU as well as with national governments.³⁹ Eurobarometer polls demonstrate the massive loss of trust in both national governments and the EU over time, in particular with the Eurozone crisis. Trust in the EU dropped from a high of 57% in spring 2007 to a low of 31% in spring 2012, which continued unchanged in 2013 and spring 2014, while trust in national governments dropped from a high of 43% in spring 2007 to 24% in Fall 2011 and to an even lower 23% in fall 2013.⁴⁰ Such negative views of the EU are evident also in the loss of support for the European project, with the positive image of the EU down from 52% in 2007 to 30% in 2012 while negative images went up from 15% in 2007 to 29% in 2012—neck and neck with the positive responses.⁴¹

Only in late 2014 was there an uptick in public views, with trust in the EU jumping 6 points, to 37% in fall 2014, and trust in national governments up 6 points as well, to 29% in fall 2014.⁴² This may be the result of a sense that the EU is finally turning the corner economically, that politics does matter, with the greater politicization of the debates in the European Council among political leaders around flexibility and in the EP with the elections, or that the policies may change, given the ECB announcement of quantitative easing and anticipation of the arrival of a new Commission promising investment and growth. That said, it could just be a blip in the opinion polls.

Moreover, although support remains strong for retaining the Euro, including 69% in Greece, 67% in Spain, 66% in Germany, 64% in Italy, and 63% in France, this suggests only that citizens do not see exit from the Euro as an option, not that they are happy with the policies related to it.⁴³ Much the contrary, a September 2013 Gallup Opinion Poll showed that a majority of European citizens (51% of respondents) did not think that austerity was working, by contrast with a minority of 34% who thought it was working but takes time, and a very small percentage of 5% who thought it was working.⁴⁴ So how do we explain continued support? There is evidence to suggest that even as citizens continue to support the euro, their reasons have increasingly less to do with the euro's link to identity and increasingly more to do with their self-interest. A utility-based logic rather than an identity-based one is most likely to explain why, despite the crisis, support has remained strong—even though the public may be increasingly unhappy about the euro's effects.⁴⁵

³⁹ Hobolt 2015

⁴⁰ Eurobarometer EB 82

⁴¹ Eurobarometer EB 78, Dec. 2012.

⁴² Eurobarometer EB 82, 2015)

⁴³ Pew Survey, May 2013

⁴⁴ Gallup poll, Sept. 2013 <http://www.scribd.com/doc/172138343/Gallup-Debating-Europe-Poll-Austerity-Policies>

⁴⁵ Hobolt and Wratil 2015.

Meanwhile, the unions find that all they can do is agree to concessions while gaining nothing in return, as in the Spanish pension agreement and the Irish Croke Park deal. At the same time, the most social movements like the Spanish *indignados* have managed to do is to mobilize members for protests and demonstrations that get them nothing other than, sometimes, news coverage⁴⁶--although in certain instances this has led to the creation of new political parties, most notably Podemos and Syriza. Repression of such movements is also an issue, however. The Council of Europe (2013) criticized EU member-state governments for sidestepping regular channels of participation and social dialogue on the pretext of national financial emergency, with harsh responses against demonstrators and infringements of freedom of expression and peaceful assembly, as well as reductions in media freedom, in particular in public outlets.

The Rise of the Populist Extremes in Europe

Complacency would be a mistake in the face of the rise of the populist extremes. Extremist parties don't simply go away when times get better—as the experience of the boom years of the early and mid 2000s demonstrate. Once populism takes hold, it is not easy to dislodge. The extreme right populist parties that thrived in the 2000s on identity politics focused on anti-immigrant issues and the EU has simply added skepticism about the Euro to its list of complaints. Moreover, with the fall 2015 crisis resulting from the massive flows of refugees and immigrants from North Africa and the Middle East, the populist parties on the extreme right in particular have continued to thrive on an issue that they have long exploited to build support.

Populism should not be seen as a totally negative phenomenon, however, since it can have certain positive effects, such as giving voice to underrepresented groups, mobilizing and representing excluded sections of society, and increasing democratic accountability by raising issues ignored or pushed aside by the mainstream parties.⁴⁷ The extremes on the left in particular, by mobilizing on the basis of social justice and human rights as well as against the inequalities caused by the increasing predominance of financial capitalism and its accompanying booms and busts, or by the lack of progressive taxation, can serve as a positive pull on mainstream parties—on the right as much as the left. However, there are many fewer extreme left parties with a significant popular following (with the exception of Greece and Spain) than extreme right parties. And these are the parties that appear to have exerted the most influence in political debates so far, by pulling center right mainstream parties closer to their positions, especially with regard to opposition to immigration and freedom of movement or minority rights. On the left, moreover, the rise of left-leaning extremism has put center left parties in a quandary—to move left, thereby challenging EU level agreements, or to resist any leftward move, thereby weakening governing majorities or losing support from part of their

⁴⁶ Armingeon and Baccaro 2013

⁴⁷ Mudde and Kaltwasser 2012

traditional electorate. In addition, the potential victory of one of the populist anti-EU parties in national elections in the next few years could be highly problematic not only for the country in question—especially if it were a coalition with an extreme right party that would seek to implement its discriminatory or anti-EU views—but also for the EU, given decision rules that give individual member-states veto power over treaties.

The only possible signs of light with regard to populist parties have been Greece's Syriza and Spain's Podemos, which look set to become those countries' new center-left parties in place of the moribund Greek Socialist party PASOK and the Spanish Socialist Workers' Party (PSOE). What has made these new parties credible to large portions of the electorate is not only that they have engaged openly with difficult questions about the distribution costs of fiscal consolidation. It is also the fact that their initial exclusion from power has put them in a good position to deliver a radical critique of the rent-seeking behavior of mainstream party, state and technocratic elites. Rather than worrying that these new parties may prove intractable, we should recognize that they could actually be the ones to bring real renewal to their countries' politics as well as to generate citizen-friendly 'structural reforms' focused on reducing corruption, improving tax collection, and promoting social justice.

With the electoral victories of Syriza to national office and Podemos to local office (most notably to the office of mayor of Madrid), these parties' ability to deliver on their promises will be put to the test. For the moment, however, it is too early to say what effect they will have, although the protracted negotiations of Syriza with the EU on a new debt package suggest that the government tried, and failed, to change both the Eurozone policy narrative and the agenda. This brings us back to the relations of power within the EU and, in this case, the Council of Eurozone Ministers, where Germany—with coalitional allies, in this case Central and Eastern European countries such as the Baltic states and Slovakia, in addition to Finland and the Netherlands—again dominated.

The 'Greek tragedy' that unfolded over the course of the spring and summer of 2015 resulted from Syriza having misjudged the 'game' of hardball that was being played, in particular by German Finance Minister Schäuble, who turned out to be the 'master gambler.'⁴⁸ That said, Greek Prime Minister Tsipras also gambled, with a confusing referendum at home in which he campaigned for a no vote in order to strengthen his hand in Brussels, but got a 'yes' vote (against austerity but in favor of remaining in the euro), and came back to the table with a weakened hand, and a country in worse economic shape. The Greek government had not expected the other member-states, in particular in Southern Europe, to stand with the other finance ministers for 'responsibility' to follow EU rules over responsiveness to Greek citizens' expressed democratic will. But this was arguably naïve, since the Greek government was not simply asking EU member-states to take on board another member-state's democratic

⁴⁸ Sauerbrey 2015

vote to end its adjustment program. It was asking Eurozone finance ministers to suspend the EU rules on austerity and structural reform, agreed by all, which those very ministers had been applying in their own countries. It was not just the Irish and the Portuguese, who had recently exited adjustment programs, who refused to let Greece off the hook. It was even the Italian and the French, who had been clamoring for increased flexibility in the application of the rules, but who were equally engaged in pushing reforms in their own countries. To let Greece off the hook would be to open up debate in other member-states on past and present reform programs under EU rules. Moreover, it could have fueled electoral support for the populist extremes, which would use any Greek exception to argue for an end to EU-related programs in their own country—in particular for Spain, where Podemos had become a serious threat to the Conservative government of Prime Minister Rajoy. Better to envision Grexit—at least for German Finance Minister Schäuble, who in response to Greek Prime Minister Tsipras’ claim that he had a democratic mandate to demand change in Europe, stated: “I have also been elected.”⁴⁹

The main question for Syriza will be whether it manages to become a credible political party able to deliver policies while keeping its promises—thereby fraying the difficult path between being responsible by credibly implementing the bailout agreement and being responsive to the concerns of its citizens. In other words, will Syriza be able to bring much needed reforms to the country in the domain of anti-corruption efforts, strengthen state administrative capacity, collect taxes and pull Greece out its economic depression despite the continued austerity demanded by the Eurozone leaders and consecrated by the bailout package that they signed? The new elections in September 2015 that brought back to power a Syriza now stripped of some of its most radical elements has at least given Prime Minister Tsipras a mandate to implement the program—something he did not have when he was elected in February 2015 with promises to end the austerity program.

With the exception of Greece, however, to see populism as potentially returning party politics to its proper place in the EU is the optimistic view. The pessimistic view is that the decline of traditional party politics, already evident beginning in the 1990s, continues apace, and with it the growing political volatility related to the increasing mediatisation of politics that enables populist parties to thrive.⁵⁰ And at the EU level, the pessimistic view is that gridlock takes hold, with no new consensus on how to reform, with continued differences in preferences between core and periphery. Moreover, if the extremes on the Euroskeptic right come into coalition governments in one or more member-states, all bets are off in terms of forward movement in EU and Eurozone governance, with deleterious effects all around.

Conclusion: What Future for Europe and National Democracies?

⁴⁹ *Financial Times*, June 15, 2015

⁵⁰ Kriesi 2014.

Over time, citizens have come to perceive the EU as more and more remote (read technocratic) and national governments as less and less responsive to their concerns, in particular in the midst of the Eurozone crisis. This has translated not only into a growing loss of trust in the EU and national governments but also to ever more volatile national politics, with the growth of populism. Mainstream parties and party politics have been weakening and incumbent governments have increasingly been voted out of office as extremist parties with anti-euro and anti-EU messages have gained attention, votes, and even seats in both national parliaments and the EP. What is more, the loss of trust is also increasingly between countries, including especially Northern versus Southern Europe with the Eurozone crisis, and then Central and Eastern Europe with the North against the South in the latest Greek crisis—although this mix has shifted with the current migrant crisis, which has seemingly pitted the CEECs and the UK against the rest.

This said, the EU has not affected all national democracies in the same ways. While some countries have largely maintained or even enhanced their democratic powers and practices, others have seen their democratic powers diminished, their democratic practices hollowed out—in particular in countries subject to adjustment programs associated with bailouts. The differences are most pronounced between Germany and Greece. Germany has been able to ring-fence its national democracy while promoting its preferences for the Eurozone rules, while its more active Constitutional Court has also time and again vetted EU legislation when concerned to safeguard German democratic standards. In contrast, Greek governments have seemingly exchanged democratic autonomy for economic solvency, as successive governments have become more responsible for policy while giving up on responsiveness to citizens' needs and demands, culminating in the agreement of the extreme left party, Syriza, to do the same.

The question for the EU today is therefore how to reinvigorate national democracy across Europe while rebalancing the EU's 'democracy' in ways that enable both EU and national levels to interact productively within the new EU realities. For this, mainstream party politics at both national and EU levels require strengthening and rebooting in order to confront two very different enemies: technocracy and populism.

The EU myth has long been that it does best during moments of crisis, when it engineers great leaps forward into deeper forms of integration that solve the existential problems that beset it at the moment. This time may be different (if the myth was ever true).⁵¹ In the Eurozone crisis, rather than resolving the crisis with good (output legitimate) results, the EU may have prolonged it through rules-based governance processes and policies focused on austerity and structural reform. This has also created serious problems for national input legitimacy, by

⁵¹ See Matthijs and Parsons 2015

leaving national governments more torn than ever between their responsibility to honor EU agreements and their responsiveness to citizens, which only further feeds citizen disaffection. Such technocratic fixes—which in the Eurozone crisis have meant doubling down on the (throughput) rules—have only fueled the rise of populism, to the detriment of mainstream national politics and democracy.

So what can be done? At the very least, the EU needs a reset in terms of policies and processes—arguably with more responsibility for policies to be decentralized to the national level in order to ensure greater responsiveness to citizens while at the same time ensuring continued EU level coordination. But for this, as for the many other initiatives that are required, the EU would first need leaders with a new vision and a new narrative about what the EU is, what it should be doing, and where it should be going. For the moment, such leaders are lacking.

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