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REFORMING EUROPE?

WHEN ECONOMISTS, LAW SCHOLARS AND POLITICAL SCIENTISTS CARE ABOUT THE FUTURE OF THE EU

Christophe Blot¹, Olivier Rozenberg², Francesco Saraceno¹
and Imola Strehö³

Europe is in crisis and doubts emerge about the capacity of the European Union (EU) to overcome it. This crisis and those doubts share many similarities. They are severe, multidimensional and possibly durable. Understanding them and proposing a few modest solutions require adopting a comprehensive approach mixing the three dominant patterns of the EU: an economic market based on trade and solidarity, a set of constraining norms protected by judicial institutions and a political space under construction characterised by the interaction between a (weak) central core and (strong) domestic arenas.

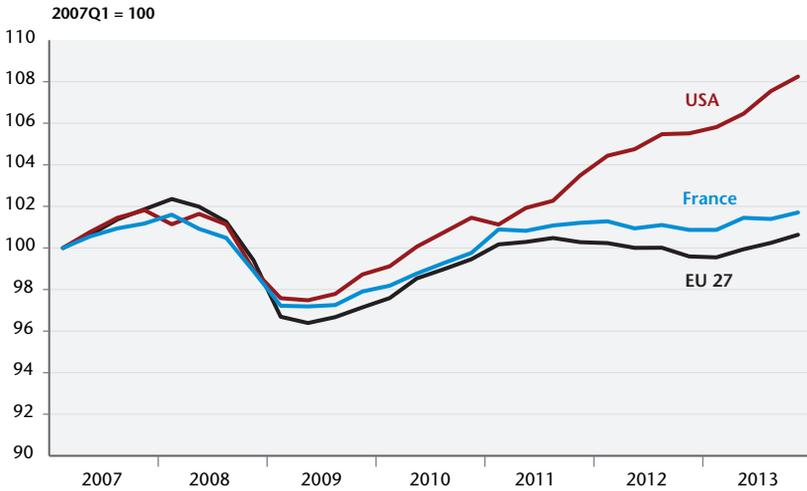
The impact and nature of what is usually labelled under the name of “crisis” can be differentiated for each of those three aspects. We do it through a few quantitative data over a recent period by comparing the EU to one of its members, France, and to the United States of America (US). At the economic level, figure 1 shows the decline of GDP in 2009 for the three areas. The slack was rude and, even if the worse seems to be behind us, growth rates obtained before the crisis have not been reached since, regarding the EU 27 as well as France alone – contrary to the US.

1. OFCE, Sciences Po.

2. Sciences Po, Centre d'études européennes.

3. Sciences Po, École de droit and Centre d'études européennes.

Figure 1. Real GDP



Source: Eurostat, INSEE and Bureau of Economic Analysis.

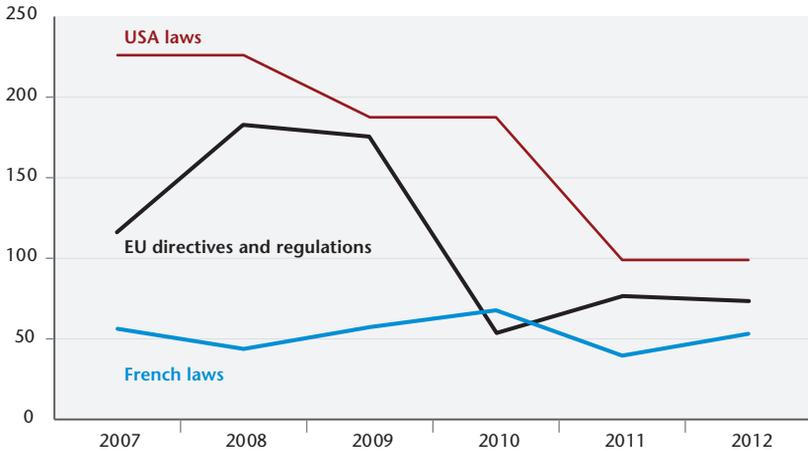
Regarding the second aspect, Figure 2 indicates that the number of directives and regulations adopted over the recent period tend to decline. This trend is seemingly not limited to Europe as the last US Congress has also been less productive than the previous ones. France, by contrast, is more stable. Researches still have to be done for explaining those complex evolutions. They may indicate that the difficulties of the EU are not limited to economic performances and affect, in one way or another, the capacity of the EU to regulate public policies.

The last aspect of our focus concentrates on the level of public support for the EU level of government. Data presented in Figure 3 depict a rather contradictory image in that respect. On the one hand, trust in the EU has declined severely with a loss of 26 points over seven years. The economic and financial crises have destroyed nearly half of the credit that the EU had patiently cumulated year after year. On the other hand, the average trust vis-à-vis the EU of the public opinions of the Twenty-Seven is still superior to the average trust of each domestic public opinion vis-à-vis their own government. The distance has diminished but there is still one. The only exception to that is the so-called honey-moon period after domestic elections but the French decline after the summer of 2012 shows that it does not last.

This rapid and partial overview highlights the multidimensional feature of the on-going EU crisis. As indicated by the comparison with the US or with member states, the EU is not the only level where the capacity to govern efficiently and with legitimacy is challenged. Yet,

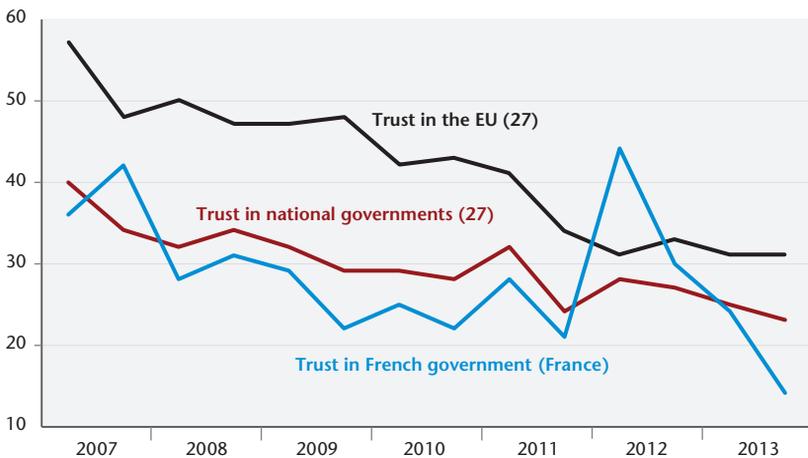
what may be more specific to the EU is this multidimensionality as economic results, law production and support rates are all matters of concerns.

Figure 2. Legislations passed



Sources: EU: EU Legislative Output 1999-2010 (05/06/2010) [database], Centre for Socio-political Data (CDSP, CNRS – Sciences Po) and Centre for EuropeanStudies (CEE, Sciences Po) [producers], Centre for Socio-politicalData [distributor]. France: French National Assembly (international agreements excluded). US: US Senate, data for 2007-2008, 2009-2010 and for 2011-2012 have been divided by two.

Figure 3. Trust in the EU and national governments



Sources: Eurobarometers Standard 67-80. The question was: "I would like to ask you a question about how much trust you have in certain institutions. For each of the following institutions, please tell me if you tend to trust it or tend not to trust it. The (nationality) government / The European Union".

Faced to those deep and probably unprecedented challenges, the debate leading to the European elections remains mostly hostage of two polar views. Either a sort of self-complacency, that prides itself of the fact that the crisis did not lead to a collapse of the single currency, and finds into this very fact a sort of validation of current European policies and of the institutions that accompany them. Or, at the other extreme, the view that the crisis, and the disruption that it brought especially to Eurozone peripheral countries, is an unavoidable effect of the European construction, that can only be addressed by rolling back on the European integration project.

A reformist approach

We subscribe to neither of these polar views. This volume, and the workshop that preceded it, were born from our deep dissatisfaction from the management of the crisis. We actually believe that the crisis exposes a number of flaws in European construction. European institutions failed to prevent growing imbalances, and were not adapted for managing the ensuing problems. There are a number of reasons, which emerge in many of the contributions to this volume, which lead to believe that the crisis could have been significantly less harsh, were it met with better policies and well-functioning institutions. For the same reasons, some of the institutional advances that were triggered by the crisis do not seem to address the structural flaws of the European construction. This is why we also believe that the self-congratulatory attitude of European leaders misplaced.

This does not mean that we adhere to the view that current policies are an intrinsic feature of the European construction, that therefore cannot be reformed. Mounting euro skeptic movements tend to convey the idea that there is no alternative to current policies, that are built into the European construction since its beginning. The pernicious effects of austerity and of crisis management would then leave no other option than a breaking of the single currency or even of the EU itself, as the debate on the possible British referendum of 2017 stands to show.

In January 2014 we held a workshop at Sciences Po in Paris on “Reforming Europe”, whose objective was to gather researchers unhappy with the current state of the debate on the EU, in particular within the perspective of the European Elections of May 2014. In organizing the workshop we felt it to be a duty, for intellectuals engaged in the public debate on European policies, to try to break the dualism between complacency and Euroskepticism. Exposing the

shortcomings of the European construction, the idiosyncrasies in the Union's decision making process, and the mistakes in the management of the crisis, needs not to challenge the whole concept of European construction.

While the crisis is financial and economic, it exposed flaws of the European governance that go well beyond the field of economics. This is why we have adopted an interdisciplinary approach, having political scientists, law scholars and economists, bring their own perspective, and the perspective of their discipline into an open debate.

This volume has the ambition to feed the discussion leading to the elections of May 25 (and possibly beyond). This is why we chose the format of short policy briefs, when possible aimed at providing specific policy prescriptions, rather than fully fledged academic contributions. Our objective is to reach a vast public of policy makers, candidates, political parties, unions, entrepreneurial associations, and citizens. The researchers who contributed to this volume share the view that reforming Europe is necessary and possible at the same time. But the reader will not find many other commonalities, and may even find contradictory recommendations. The objective of this project is not to provide a coherent set of solutions, that would require much more than a volume. Ideally, our contributions would serve as a basis and starting point for debates that will eventually lead to political choices.

It is noteworthy to underline that all the authors took great care while drafting their policy briefs to suggest at least some if not exclusively policy prescriptions that do not require treaty changes and can therefore be implemented without having to convey an IGC. Yet, it does not mean that changes in treaties would be excluded by principle. The reader may then also find a few propositions to this end.

The contributions of this volume are organized under three main themes. The first part deals with issues relating to democracy and citizenship, the second with European governance and the third with European public policies.

Democracy and European Citizenship

European Union is indeed not a nation state but it is nonetheless a political entity with its own institutions – not completely disconnected from national institutions –, defining its own rights, laws and rules. The exercise of democracy in the EU has then some very specific features that must be taken into account notably because the idea of citizenship is not well established as in the member states. This is why measuring regularly sentiment towards European construction is a

first and necessary step to understand democracy issues. In this respect, recent Eurobarometer surveys indicate that EU institutions suffer from a lack of confidence. But, **Bruno Cautrès** shows that Europe is not blamed per se and exit strategies from the euro area are not yet considered significantly. Surveys would rather indicate that Europe seems far from citizens. The issue of citizenship is then crucial. In EU, it often boils down to mobility issues. Even if it has been considered as a major success of European construction, **Anastasia Iliopoulou-Penot** reminds that progresses remain to be done. Migrants (inactive citizens, students and Roma population) have still significant difficulties. For **Selma Bendjaballah**, **Stéphanie Novak** and **Olivier Rozenberg**, the drop in the number of legislative decisions reflect the 'existential doubt' about EU institutions. They consequently stress that a better expression of political and institutional divides is needed. Beyond the number of legislative decisions, the duration of the decision-making process is another source of concern. This paralysis results from strategic behavior aimed to control the policy agenda. **Cesar Garcia Perez de Leon** recommends a number of reforms of the rules governing the use of time under co-decision. More generally, the method ruling EU functioning has evolved. The intergovernmental practices have gained momentum whereas the community method has been diluted. **Delphine Dero-Bugny** claims yet that Intergovernmental methods are often used for temporary periods, and are finally integrated by the Community method. There is then no opposition between the two approaches. They should be made complementary by rethinking the role of the European Council and integrating emergency procedures in order to be able to respond quickly in case of crisis. According to the great and charming **Imola Strehö**, European Institutions are now more open and transparent. To improve the trust in institutions, the European Parliament should pay attention to good administration, which is referred to in the primary law of the EU. To this end, the role of the European Ombudsman should notably be emphasized and the wide range of administrative assistance should be improved. Finally, **Antoine Bailleux** considers that a significant strain has been placed on the protection of fundamental rights. This is the consequence of the economic, social and identity crisis in the EU. It is then incumbent upon the European Parliament to ensure that fundamental rights continue to serve as a compass and frame of reference for EU policies.

European Governance

When considering a multidisciplinary approach, European governance is clearly central as it relates to institutions and implementation of economic policies in the EU. The contributions gathered in the second part all focus on these issues. The crisis has clearly highlight the need for an improvement of governance. It has actually been reinforced through “anti crisis” measures. The scope of economic surveillance has been enlarged. Fiscal rules have been strengthened and banking Union is under way. These recent developments have left aside the role European and national Parliaments, regarding notably the legislative process. **Laure Clément-Wilz** considers that increasing their role would then provide a clear legal basis for the new missions of the EU institutions and strengthen democratization. According to **Frédéric Allemand** and **Francesco Martucci**, this means avoiding the use of intergovernmental agreements, organizing a “euro area” committee within the European Parliament and holding an annual socio-economic convention to establish the broad thrust of EMU policies. Another key issue relates to the ability of national governments to coordinate their decisions on economic policies more efficiently. **Catherine Mathieu** and **Henri Sterdyniak** remind indeed the flaws of the current governance. They notably insist on the failure of existing rules and the lack of solidarity among member states. EMU is structurally heterogeneous and is diverging due to erroneous policy choices. Coordination is then the only way out of the crisis. The European governance should explicitly aims at providing growth, full-employment and reducing macroeconomic imbalances. The creation of a European tax would also be a significant step towards increased integration. To this end, the European Union needs to levy taxes for itself. The tax base should then be chosen with great care, in line with intended objectives, as emphasized by **Alexandre Maitrot de la Motte**. Besides, a better regulation of the financial system is needed. The banking union goes in that direction. But it suffers from severe shortcomings. On the one side, the ECB will be in charge of banking supervision. But, on the other side, the resolution fund will not be fully operational. Moreover, as stressed by **Jean-Paul Pollin**, regulation should not boil down to a banking union. Separation between commercial banking activities and investment activities would complement the banking union. In addition, the new task entrusted to the ECB raises coordination issues. **Christophe Blot**, **Jérôme Creel**, **Fabien Labondance** and **Paul Hubert** note that, de facto, the ECB will deal with a triple mandate (price stability, growth and financial stability) and they call for the set up *ex nihilo* of a supervisory body of

the ECB, responsible for discussing and analysing the relevance of the conduct of monetary policy under the broader objectives of the ECB.

Issues in European Public Policies

Finally, the debate preceding the European elections should trigger public debate on the key issues regarding public policies. Reforming institutions should not go without a large reflection on the policies of these institutions. This is the aim of the third part of the volume. Reducing inequalities should be made a top priority in the EU. **Francesco Saraceno** notably emphasizes that macroeconomic imbalances have been fuelled by inequalities. The crisis has in turn exacerbated the problem, especially in peripheral Eurozone countries. The struggle against inequalities is therefore strongly connected to governance issues. This is why fiscal policies and regulation need to be part of the effort to curb inequality. Another dimension of inequalities is related to gender inequalities. **Françoise Milewski** and **Réjane Sénac** present the ways in which European policy on equality have dealt with this issue through EU law on non-discrimination. Then, they take up the debates provoked by policy changes, both in regards to the aims and their implementation. The problem of inequalities necessarily refer to questions about the functioning of labour markets and social protection systems. With austerity measures, most European member states have engaged in structural reforms and have cut social spending. Competition has been strengthened in social services. In the labour market, **Gérard Cornilleau** develops the alternative between a liberal model of work sharing and a social model with unified social rights. Complete social unification may yet be hard to achieve so that social frontiers may be defined so as to allow both the mobility of workers and their effective social protection. **Bruno Palier** also considers that austerity measures and the structural reforms, which have followed, have destroyed social cohesion. Consequently, Europe must now put solidarity at the center of its policies and support countries to reinvest in social policies.

Investing in the future is also the key message carried by **Xavier Timbeau**. He calls for a green “new deal” to foster the transition to a low carbon economy. To this end, a public-private investment plan in the energy transition of the order of 2 points per year of European GDP is needed. Those investments would also certainly influence the industrial policies measures implemented at the European level. They would certainly need to be coordinated. Divergences among countries have increased. Both national and European policies should then be reconsidered. For **Jean-Luc Gaffard** and

Lionel Nesta, supply reforms would then consist in a properly designed industrial policy that would consist in establishing a framework aimed at supporting both competition and cooperation between the various players of innovation, and thus allowing firms' strategies to be successful. Public policies should also encompass immigration and asylum policies. **Marie-Laure Basilien-Gainche** claims that the current approach is based on a misdiagnosis and the mismanagement of this politically sensitive issue has unfortunately harmed the competitiveness and credibility of the EU and its Member States. Finally, EU has been recently engaged in the negotiation of numerous preferential trade and investment agreements. Starting from this, **Pierre Boulanger** and **Patrick Messerlin** analyse EU's trade policy and propose a distinction between a policy for a "near circle" (countries neighboring the EU), dominated by a goal of political stability, and a policy for a "broad circle" (countries with a level of development comparable to that of the EU), dominated by a goal of economic growth.