Is the European Union's Institutional Architecture in Multiple Crisis?

Written by Jed Lim

The EU faces political, economic and social crises in a period dubbed as the ‘moment of transformation’ by the EU (Kennett, 2017: 441). The Euro crisis, the 2015 migrant crisis and the 2016 Brexit referendum have surfaced the seething tensions underlying the European project. Through these events, the very goals set out in the European project are subverted through the multiple disconnects between the ideals of the EU and its actual policy practices in the political, economic and social domains. Politically, the perception of a democratic deficit in the EU has strengthened Euroscepticism, polarising EU politics and undermining integration. Economically, the market-making mechanisms of the EU have dominated over the market-correcting capacities of member states, promoting strict economic surveillance and neoliberal practices. Socially, the ideal of an inclusive ‘Social Europe’ is eroding through austerity and economic reform, with adverse impacts on the well-being of EU citizens. This essay will seek to discuss the political, economic and social crises in turn, but cautions that while these crises can be viewed from these three seemingly neat perspectives, they are still very much interlinked, such as in their contribution to the mainstreaming of Euroscepticism and populism – a common theme across the three perspectives (Brack and Startin, 2015: 242). At the same time, it is important to acknowledge that the processes that have led to the EU's multiple crises are not isolated incidents, but are complex and interconnected issues developed over the course of the EU's history. All in all, the EU's institutional architecture consisting of its member states, ideals and values are being challenged by these multiple crises that will undoubtedly shape the future of the EU.

Democratic Deficit and Euroscepticism

Perceptions of a democratic deficit in the EU have subverted EU unity, testing the very motto of the EU itself, of being ‘united in diversity’ (European Union, n.d.). The EU is increasingly viewed as non-transparent and politically disconnected from the will of its citizens, driving an unprecedented rise in Euroscepticism (Miszlivetz, 2012: 2). There is doubt over the EU’s commitment to the Treaty of the European Union that decisions be ‘taken as closely as possible to the citizen’, creating a legitimacy crisis in the EU (Parry, 2016: 99). Despite the Lisbon Treaty in 2009 that sought to foster democratic accountability in the EU by strengthening the role of the European Parliament, EU policymaking processes continue to be seen as complex and cumbersome, relying heavily on consensus and still lacking transparency (Parry, 2016: 98; Archick, 2016). The deliberative processes in the EU involve democratically unaccountable institutions such as the European Commission and secretive discussions within the European Council, leaving the European Parliament as the only democratically accountable institution in a complex web of institutions (Parry, 2016: 99; Youngs, 2013: 4). This means that decision-making processes and the knowledge of them can often be exclusive to the European technocrats, but not EU citizens (Sorace, 2018: 4). Theoretically, it can be argued that the complexity of the EU is part of the policymaking process, designed to be inclusive and effective, allowing for compromises and flexible arrangements to be made with the goal of enabling cooperation between the EU member states (Toshkov, 2017). However, the reality of the double 'no' votes of 2005 on the constitutional treaty, and the subsequent decline of trust reflected in Eurobarometer data are symptomatic of the eroding trust between EU citizens and Brussels (Miszlivets, 2012: 1-2). Vertical solidarity between the political establishment and its citizens is eroding (Ferrera and Burelli, 2019: 100; Kennett, 2017). Existing structures of representative democracy in the EU are called into question as people demand their voices to be heard (Flesher Fominaya, 2015). Clearly, there is a scalar disconnect between the EU, national governments and their people (Kennett, 2017: 433). The complex
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Institutional architecture that was meant to foster cooperation is now the target of popular discontent. This crisis of democracy has led Gill (2016: 35) to posit that there needs to be some form of democratic revitalisation and reform in the EU in order to breakthrough this political impasse.

This perception of a democratic deficit in the EU has fueled the rise of Eurosceptic parties that polarises EU politics, with severe implications for European integration (Archick, 2016; Miszlivetz, 2012: 2). A sense of distrust in the EU drove the rise in popularity of UKIP in the UK (Keskinen, Norocel and Jørgensen, 2016: 324). UKIP has framed itself as an opposition to an illegitimate elite (ie. the EU) in the interests of the people, capitalising on the fears and anger over the seemingly top-down policies of the EU and using it to drive their agenda for the 2016 Brexit referendum (Goodwin and Milazzo, 2017; De Cleen, Glynos and Mondon, 2018). There is a palpable desire in the UK’s leave campaign to ‘take back control’ by rejecting the EU’s freedom of movement; a desire for some sort of national re-empowerment through leaving the EU (Haughton, n.d.). Thus, Brexit presents an overt form of disintegration in the EU, throwing the future relationship between the EU and the UK into great uncertainty (Leruth and Lord, 2015: 757). In the wider context of the EU, the 2013 Eurobarometer report reflected that 66 percent of EU citizens do not feel that their voice count in the EU decision-making process, a sentiment that enabled the significant growth of dissenting parties in the European Parliament after the 2014 elections (Brack and Startin, 2015: 242). The radical right in particular gained the most from the 2014 elections with their anti-immigrant, anti-globalisation agenda; fundamentally shifting the party composition and hence, political dynamics in the European Parliament (Brack and Startin, 2015: 242). Jean-Claude Juncker has rightly pointed out that the unity and integrationist goals of the European Union has never been so fragile until recently (European Commission, 2016). Horizontal solidarity between the EU member states is waning (Kennett, 2017: 434). From a theoretical perspective, Cianciara (2015: 40) points out that disintegration can be interpreted in two ways; the ultimate collapse of the EU project, or a dynamic process of adaptation and response to member state preferences. The disintegrative process of a ‘spill-back’, such as in the withdrawal of commitments to the borderless Schengen area in the context of the 2015 migrant crisis prompts questions about the integrity and legitimacy of the EU project (Kennett, 2017: 438; Lindberg and Scheingold, 1970: 137; Niemann and Ioannou, 2015: 4-5). Rosamond (2016: 865) acknowledges that while the Euro crisis, migrant crisis and Brexit may be indicative of larger existential questions about the EU’s long-term viability, there remains institutional resistance against full-scale disintegration. Nonetheless, the growth of Eurosceptic parties in the EU remains a divisive force. Many uncertainties lie ahead of the EU’s institutional trajectory in light of disintegrative pressures (Rosamond, 2016: 865).

Increasing Economic Coerciveness

The Euro debt crisis sparked a chain of policy actions by the EU that tightened the fiscal discipline imposed on EU member states, particularly those in the EEA (Lane, 2012; Giannone, 2015). The Euro debt crisis itself can be traced back to the structure of the European Monetary Union – having an institution that governs EMU monetary policy, but loose institutional structures for fiscal governance (Verdun, 2015: 222). Structurally, this disjuncture of having a supranational monetary union and various fiscal jurisdictions has created a partial integration that has proved unsustainable and incoherent, creating the conditions for the lapses in fiscal management and the economic crisis that followed as a result (Youngs, 2013: 4; Verdun, 2015: 222). Thus, the economic crisis enabled the strengthening of supranational EU institutions with the imposition of macroeconomic surveillance and austerity measures on certain member states; or an intensified variation of disciplinary neoliberalism that prioritises capital over the people’s direct well-being (Gill, 2016: 34; Kennett, 2017: 437; Dukelow and Kennett, 2015). The sovereign debt crisis acted as a window of opportunity for the ‘constitutionalisation’ of neoliberal economic governance by the political elites (Lane, 2012: 65; Giannone, 2015). This uprooted the pre-2008 status quo where fiscal rule-bending was institutionally tolerated, and replaced it with a disciplinary neoliberal regime (Lütz and Kranke, 2014: 327; Gill, 2017: 638). To illustrate, the 2011 ‘Six-Pack’ and the 2013 ‘Two-Pack’ regulations expanded economic surveillance and monitoring within the EU and EA respectively in order to improve budgetary and fiscal governance (Verdun, 2015: 229). In addition, the Fiscal Compact of 2012 sought to bring economic reforms by member states under EU coordination, and place constitutional restrictions on budget spending, where non-compliance would lead to punitive consequences (Gill, 2017: 639). Social or collective policies are rejected in favour of the propagation of markets that do more harm to the lives of citizens (Gill, 2016: 32). The EU’s legitimacy is built upon the people’s trust in its ability to represent the people, and yet the EU is the same institution that enforces coercive measures against the will of the
people (Sorace, 2018: 5). The shock of disciplinary neoliberal measures enforced by the EU and the subjugation of national governments to supranational institutions have created a fundamental breach in the political contract between voters and the multiple layers of governance from the national level to the EU-level (Papadopoulos and Roumpakis, 2018: 516). The legitimacy of the political elite and representative democracy are called being into question by the new institutions formed by the EU in response to the Euro debt crisis (Flesher Fominaya, 2015). At the same time, the balance of power in the EU’s political economy has tipped towards creditor institutions, shifting away from the national institutions that are held to account by its people (Gill, 2016: 40).

Therefore, a democratic deficit can also be observed in the economic domain, particularly through the coercive economic measures taken by the EU following the Euro debt crisis (Youngs, 2013). Opposition by Greek citizens to the neoliberal regime of the EU propelled the anti-austerity Syriza party into power, a party that campaigned against austerity and against the neoliberal order of the EU itself, demonising the Troika (Papadopoulos and Roumpakis, 2018: 518). The results of a Syriza-led referendum against austerity were ignored as the Greek government was forced to accept the EU’s deal under the direct coercion of the ECB which caused Greek banks to shut down (Papadopoulos and Roumpakis, 2018: 518). The doctrine that ‘there is no alternative’ prevailed, forcing the once defiant party into submission in front of its own people (Castaignet, 2017). Thus, Gill (2016: 39) accuses institutions like the Troika for ‘accumulating capital through dispossession’, perpetuating a global organic crisis where the emphasis on capital continues to repress people in unsustainable ways. From an institutional and procedural perspective, the Fiscal Compact extended the use of reverse qualified majority voting over the excessive deficit procedure, effectively granting the European Commission unprecedented procedural powers and almost automatic approval for their recommendations (Seikel, 2016: 1405). These moves legally extend the competencies of EU institutions into what was previously under national jurisdiction, such as budget setting, wage policy and economic planning (Papadopoulos and Roumpakis, 2018: 509). Such powers effectively bind countries such as Spain and Greece from carrying out counter-cyclical fiscal policy, and forces them into complying with counter-productive austerity measures against the will of its own people (Papadopoulos and Roumpakis, 2018: 509). The citizen mobilisations against the neoliberal regime such as the Indignados movement in Spain are therefore overt expressions of the will of the people against austerity, and the very real impact austerity has on their lives (Flesher Fominaya, 2015; Papadopoulos and Roumpakis, 2018: 520). These movements demonstrate a growing sense of disillusionment with the existing system of representative democracy, demanding for better representation for the people through new participatory approaches (Flesher Fominaya, 2015). These developments only serve to widen the democratic deficit within the EU, as the EU continues to form complex institutions rather than giving its citizens a voice (Youngs, 2013: 1).

### Erosion of Social Europe

The EU and its institutions have been predominantly market-making, as opposed to market-correcting, creating a tension with member-states by restricting their ability to implement market-correcting measures. The idea of a Social Europe was to support and sustain the cessation of macroeconomic control to the Economic and Monetary Union, with the advancement of both economic and social goals (Dannreuther, 2014: 329). In this way, support for European integration was meant to be bolstered by the EU’s social dimension (Schellinger, 2015: 4). However, the historical trajectory of the EU has been predominantly market-making, with the asymmetric development of competences favouring the market, whilst leaving market-correcting policies to individual member states (Bailey, 2017: 111). This is a result of the diversity in the varieties of capitalism, welfare regimes and industrial relations between member states, making any formal decision on EU-level market-correction difficult (Scharpf, 1999: 82-83; Seikel, 2016: 1402). Thus, the historical development of market-correcting measures has been predominantly within the competence of nation states while EU-level policies have focused its competence on market-making policies (Scharpf, 1999; Seikel, 2016). EU-level ‘social’ policies like the Structural Cohesion Funds for example, are aimed at reducing uneven development in the EU, fostering competitiveness of the various regions so as to achieve ‘social and economic cohesion’ (Heinelt and Petzold, 2018: 136). These funds, however, place the efficiency of markets as the focus of ‘social policy’, rather than the direct well-being of citizens, much unlike traditional understandings of the welfare state (Kennett, 2017: 435). In the same vein, Streeck (1999) sees an erosion of concepts such as protection and redistribution in EU solidarity, and the replacement with competition and productive forms of solidarity where the individual’s capacity to compete becomes the focus of ‘social policy’. Thus, EU-level social policy diverges from
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traditional forms of social policy as it is primarily concerned with the functioning of the labour market rather than social protection and risk convergence per se (Bailey, 2017: 109; Kennett, 2017: 434). Solidarity is the fourth pillar of the European project, in addition to peace, justice and freedom (Ellison, 2012: 1). Yet, the market liberalisation efforts of the EU to promote ‘negative-integration’ or ‘market-formation’ has shifted the balance of political power in policymaking by constitutionalising neoliberalist competition law (Scharpf, 1999). This means that national governments are constrained by market competition pressures through the interconnectedness of the EU and its institutions, leaving little policy space for market correction (Scharpf, 1999: 102). Scharpf (2010) conceptualises the primacy of the market over social regulation as a ‘double asymmetry’, given the dominance of markets at both the EU and national level. Social policy is subordinate to economic policy (Schellinger, 2015). This asymmetry between market-making and market-correcting have reduced the capacity of governments to implement social policies that counter the social consequences market forces, leaving their citizens even more vulnerable when austerity is applied (Scharpf, 1999: 43-44). This issue of policy constrain can be located in the larger context of the tensions between intergovernmental policymaking and supranational law in the EU; a tension that is inherent in the EU’s institutional structure (Weiler, 1982; Scharpf, 1999: 50).

Socially, the austerity policies imposed by the EU economic regime subvert the goals of a ‘Social Europe’ and undermine the well-being of EU citizens. The realities of austerity imposed on individual member states undermine the well-being of citizens by exacerbating income inequalities, promulgating low-wage work while cutting welfare spending, which in turn fuels political dissatisfaction and opposition to EU membership (Kennett, 2017: 438; Dukelow and Kennett, 2018: 498). Instruments used for European-level social and economic governance has shifted from flexible to coercive since 2010 (De la Porte and Pochet, 2014: 282). In 2015, the Troika forced Greece into tightening its austerity measures, ignoring critical reports about shrinking healthcare expenditures and the adverse impacts on infant mortality, HIV, suicides and other social indicators (Gill, 2017: 643). The austerity measures imposed onto Southern Europe shocked the very pillars of the Southern European welfare model, plunging these countries into insecurity (Papadopoulos and Roumpakis, 2018: 520). The familial model of welfare was crippled as the well-protected male breadwinner faced unemployment and pay cuts (Saraceno, 2017: 226). These are the consequences of disciplinary neoliberalism, where capital is being prioritised over the well-being of citizens (Gill, 2016: 34). From a democratic perspective, the EU’s stridence against popular demands for social rights and the inability of national governments to act according to its people’s will has strained public trust in the political establishment (Theodoropoulou, 2015: 50; Bailey, 2017: 112). Unsurprisingly, with the retrenchment of social welfare across Europe, a sense of injustice is felt by the people (Ellison, 2012: 7). Meanwhile, ideological rhetoric continued to emphasise on the alleged dangers of debt and deficits, using them to justify welfare cuts and reject fiscal stimulation as a solution to the financial crisis (Krugman, 2015). In reality, this undermines the economy, increases unemployment and further erodes the ability of the people to secure their own social needs (Krugman, 2015). Greece was forced to pay a debt that even IMF economists thought was unrepayable (Gill, 2016: 39). This is clearly not the vision of the EU as when then Commissioner for Employment, Social Affairs and Inclusion, Laszlo Andor (2013: 3) espoused the need for social cohesion and solidarity in the wake of the economic crisis. Social and labour rights remain subordinate to fiscal discipline, a political priority that continues at a high social cost (Woolfson and Sommers, 2016: 90).

The EU’s Multiple Crisis

From a broader perspective, the political, economic and social crises are symptomatic of the underlying institutional crisis that the EU is facing. The EU is a regional organisation that has integrated an unprecedented number of states at a deep level (Schmitter, 2014: 1-2). Nevertheless, large disparities still exist between the EU member states in the political, economic and social domains (Rumford, 2000: 19). It is in the context of these variations that the innovative institutions and their organisational architecture of the EU are constructed (Richardson, 2002). The EU has now entered a period filled with the potential for change (Nicolaidis, 2010: 30). Yet, even as the EU seeks to build a European identity, extreme nationalism has emerged, fragmenting EU solidarity from within (Outhwaite, 2014: 327). Even as the EU seeks to uphold democratic values, perceptions of democratic deficit continue to grow (Miszlivetz, 2012: 2). Even as the EU seeks to become more than just a supranational marketplace, it places emphasis on market mechanisms to achieve ‘cohesion’, marginalising concepts of redistribution and embracing competition (Rumford, 2000: 19-20). Both horizontal and vertical solidarity are being shaken (Kennett, 2017: 434). These multiple
contradictions that span across multiple domains of governance need to be addressed in a coherent manner that will enable sustainable EU integration over the long-term (Nicolaïdis, 2010: 23; Kennett, 2017). Proponents of a ‘multi-speed Europe’ to introduce greater flexibility in EU governance remain incoherent with the concepts of solidarity and structural integrity so valued by the EU (Yanniris, 2017: 1413). Achieving coherence is a particular challenge as the EU continues to wrestle with the many diverging priorities of its member states (Outhwaite, 2014: 333).

Conclusion

In conclusion, the pervasive perceptions of a democratic deficit, increasing economic coerciveness and erosion of ‘Social Europe’ has created a multidimensional crisis in the European Union that spans across the political, economic and social domains. Through these crises, Euroscepticism has been brought from the periphery to the mainstream and continue to inhibit the solidarity and integration of the European project. Events such as the 2008 financial crisis, 2015 migrant crisis and 2016 Brexit referendum serve as focusing events that surface the deeply-rooted and underlying issues that continue to hound the EU and cast doubt over its long-term viability. The values of the EU and its institutions are being challenged by its own member states, signalling indeed, a ‘moment of transformation’ (European Commission, 2010), but in much less certain terms.

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