

A Crisis of the Sovereign: The Limits of Eurozone Governance

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Introduction

The crisis in the Eurozone is no longer only a sovereign debt crisis. With the collapse of the Eurozone's governance structure the crisis facing Europe now is much worse: it is a true sovereign crisis – that is, a *crisis of the sovereign*. Or, to put it differently, this is a crisis of the state. It is the legitimacy and authority of the state that now is on the loosing end as the endgame of the Eurozone's survival has started.

There is no other way of interpreting the universal mistrust of the Eurozone's attempt at fixing its problems. And what is making it a sovereign crisis is not only about market distrust of Eurozone governance – but of the government and state structure in Europe at large.

No, this is not the young, adolescent version of Fredrik Erixon, one with soft anarchistic leanings, who is gleefully commenting on the collapse of government in Europe. (Yet, Bakunin and especially his comments on the Paris commune and burgeoning bureaucratic colossi should make interesting reading for euro officials). Nor is it an exaggerated comment on the Greek saga about a referendum, snap elections or a unity government. Yet that saga, and the reactions to it from abroad, especially (former?) Greek Prime Minister Papandreou's sudden move, serves as a good starting point for a critique of European governance for falling behind on the two chief conditions of a modern state: legitimacy and authority.

Papandreou's initiative of a plebiscite can be criticised for many flaws. The timing was awful: it came shortly before a critical G20 summit and just at a time when Eurozone officials were trying to build something on the fragile and inconclusive crisis agreement done by Eurozone leaders in Brussels in late October. There were no doubt Machiavellian intentions behind the suggestion – and such intentions, regardless of their expediency, are never beautiful.

Yet, who could be surprised that one of Europe's leaders now want to subject really critical decisions to the opinion of the electorate: the backbone for every democratic sovereign?

And, who could be surprised that a Greek political leader looked for a while to be the person who would take such an initiative?

Greece is the country that is paying – by far – the highest price for keeping the Eurozone's "fixing-the-crisis" show to go on. Others may be picking up the bill for the

bailout fund, but Greece has been kept away from the inevitable restructuring of its country's debt because other European countries – and the troika – have feared that would trigger larger problems in their banks. Greece is no doubt suffering from several structural economic problems, but the refusal to restructure its debt has effectively thrown the economy in a rapidly spiralling economic decline. An optimistic scenario now is that the country “only” will have lost a fifth of its economic welfare before the economy turns around and no longer contracts.

Moreover, Greece is a country that has seen a breakdown of trust and responsibility in the intermediary of the electorate and the government: the political party system. As a consequence, the Greek government is extremely fragile and the authority of the government, and the state institutions tasked to execute government policy, is wrecked.

Europe's postmodern political personality

This problem, however, extends far beyond Greece and goes to the heart of Europe's postwar project to rewrite the structure of government in Europe. This is a project I have strong sympathy for. The problem it is facing, however, is similar to the threat to empires in past centuries that derived from imperial overstretch and disconnection between rulers and popular legitimacy (manifested in different ways that elections and opinion polls). The source of the problem, though, is different.

The short version of it is this: the European Union, crowned with the creation of the Economic and Monetary Union, the euro, has a post-modern political personality whose authority has been weakened by its falling electoral legitimacy and absence of classic state institutions. And a large political project with eroding legitimacy will sooner or later face an existential crisis.

The longer version goes like this:

It is quite clear that countries have evolved away from the classic, modernist definition of a state and the institutional structure closely attached to it. European countries, and the EU, are far from the only countries that are part of that trend. There are many factors at play. Lately, economic globalisation has been one of the stronger forces. Globalisation has tied countries' so close to each other it is difficult to separate states from each other, or define broader national policies and interests in a fashion that contradicts general ambitions of increased economic welfare. In many economic respects, but far from all, geographical borders have been rendered meaningless.

Yet there is arguably something more to the term postmodern than these mere instrumental aspects. In philosophy, postmodernism not only represents a taxonomic position – after modern; it also sets out a discourse with its own conceptual views, often defined in opposition to cultures and norms underpinning the era of the modern state. In difference to the United States and China, the European Union – and, by extension, Europe – is increasingly embodying the values of philosophical postmodernism and pays homage to its norms.

How can we translate such a fancy conjecture into intelligible analysis?

Firstly, the profile of Europe's political personality is ambiguous. There is in the new European policy discourse no fundamental concept of the state, let alone a state that is equipped with appropriate institutions for executing policy (maintaining authority) or creating basic structures for its own legitimacy. The post-modern state is one in which territory, the core theme in the political personality of the modern state, is secondary to a more fundamental guide for policy. In this case it is transnational co-operation between European nation states – a co-operation that involves transfer of power, a deliberate move to weaken a country's own autonomous authority. This transfer of power is done to gain something else: more efficient governance and a secure Europe. Hence, in Europe's process of forming a common political personality, the modern, or classic, concept of the state has lost traction.

Secondly, with mixed jurisdictional competencies, overlapping institutions, and a generous amount of internal rivalry, there is a constant exercise in Europe, in its execution of policy and power, that involves divisive reflection and debates about the authority of institutions – that is: what institutions can do and what they cannot do. This process of reflection takes primacy over the fundamental principles of a state: protecting the territory (in many different ways: militarily, economic, et cetera) and pursuing a policy in the national economic interest. Often, process becomes as important as substance and outcome – indeed, often it becomes the dominant, let alone only, aspect of policy in Europe.

Thirdly, the concept of state and power gets transformed in a political and institutional atmosphere such as the European Union. More than anything else, the concept of power has changed. Europe, today, largely embodies a postmodern concept of European power – a concept that emphasizes the role of “soft” power over “hard” power. Process takes primacy over outcome. There is a disinclination to gauge power in crude modernist terms. The emphasis is rather on European governance: the art of substituting national *government* by pan-European *governance*.

At the core of the postmodern concept of authority is a refusal to accept genuine power. Power is not hard or soft. It is neither smart nor dumb. Power is power. It is the capacity to get others to do what they don't want to do. The postmodern concept of authority does not accept this view. It does not understand the soul and music of state power: upholding the authority and integrity of governments, which enable them to pursue a policy in the national interest. Europe's idea of power is - for good and ill - in a rival business: to weaken national interests in order to build pan-European or global governance.

This is not a critique of European co-operation. Europe is what it is – a continent of nation states that has been plagued by wars. To weaken past concepts of national interest and power was a survival necessity. But the move of authority away from nation states – with its direct connection to political legitimacy – to pan-European institutions – with weak or indirect links to popular legitimacy – has not enabled Europe to become the sort of state that corresponds with the functional tasks it has been given. European power is now living in the demarcation zone between the concept of states, on the one hand, and pan-European institutions for governance, on the other hand. Europe has a political personality uneasy with the classical concepts of state and power.

The crisis of the sovereign

How can we understand current crisis politics in Europe in this post-modern context? Crisis management in every democratic political entity is a combination of institutional instinct and imaginative leadership by elected representatives. Crisis politics is always turbulent. Yet experience has forced countries to establish institutional structures that almost automatically will react in the event of financial crises. Often, these institutions were created in the ashes of financial crises. The German Reichbank, for example, was born shortly after the financial crash in 1873, and the US Federal Reserve System was a direct response to the financial turmoil in 1907.

The past decades have witnessed a sea-change in crisis management. Such pre-crisis preparedness is imperative to successful crisis management. Countries should not have to invent new institutions and practices, let alone re-write constitutions to enable them, at the height of a crisis. Yet this is where Eurozone leaders are right now: they are trying to invent new classic state institutions and government structures to manage a profound crisis. But they have now hit the buffer of political and electoral reality. Electorates are exhausted because of a lack of legitimacy, and leaders are frustrated because they have lost authority. New crisis packages will be invented. Yet these packages are not going to give the Eurozone classic state capacities to fight crises – like, for instance, a common fiscal policy or a central bank with lender-of-last-resort mandate. In other words, the Eurozone's quest for crisis-management authority is being undermined by popular revolt against the legitimacy of current crisis management.

The institutions it has set up to manage the crisis – especially the bailout fund, the EFSF – has lost its authority because markets rightly distrust the capacity of Eurozone leaders to back that fund by legislative and political action. This is why the crisis is one of sovereigns and sovereignty. Eurozone leaders like Chancellor Merkel and President Sarkozy repeatedly pledge to do whatever necessary to defend the euro. Few, if anyone, would challenge the desire of these leaders to defend the euro. Yet an increasing number of people mistrust their authority to do so, especially those who are being asked to risk money on the assumption that these leaders will be successful and that the euro will actually survive in its current form.

When the EFSF in early November was forced to cancel its bond sales the wheel was starting to come full circle. The bailout fund targeted to borrow money in the name of less credit-worthy countries could no longer raise necessary funds. The strategy to expand the bailout fund through leveraging the base guarantees inflated the distrust in Eurozone's leaders to command authority. Eurozone leaders have already declared they are not going to expand the guarantees themselves, partly because they fear popular revolts against incumbent governments. They have also declared that there are clear no-go zones in Europe's crisis-fighting armoury. Eurobonds, an ECB with lender-of-last-resort qualities, and fiscal transfers between countries have all been ruled out. There are certainly good arguments in favour of rejecting such policies. Yet those arguments assume that other measures exist to fight the crisis, or that the crisis is not at risk of becoming an existential threat to the euro. Those alternatives are now exhausted. Eurozone leaders still have the chance to correct past mistakes. But if they will take up those chances is still an unanswered question.