

# SAVING THE EUROZONE

## IS THERE A GREEN WAY OUT OF THE CRISIS?

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ARTICLE BY

FRANCISCO  
PADILLA OLIVARES

Today, the debate surrounding the Eurozone focuses essentially on two questions: whether it would be preferable or even unavoidable to break up the euro area, at least in its current form, and whether it would be possible to fulfil the necessary political and economic conditions for a more resilient, prosperous and integrated EMU. But where do the Greens stand on this issue, and does political ecology have the ‘narrative capacity’ to deliver an empowering vision of the EU’s economic future?

**T**he global financial crisis and its subsequent development into what has been known since 2010 as ‘the Eurozone crisis’ has triggered a welcome although long-overdue debate on the merits, limits and challenges lying ahead for the single currency project and more broadly for Economic and Monetary Union (EMU) as a whole. The period of financially-fuelled stability, which characterised the so-called ‘Great Moderation’ (1981-2008), contributed to a sense of complacency and obscured concerns that many had about the way the single currency project was devised and implemented. The crisis has reignited these concerns.

This article aims first to briefly describe the specificity of the ‘Green perspective’ when it comes to providing answers to the two questions referred to above. Against this backdrop, it will then briefly outline two additional key, yet unanswered questions addressed to the Green political family which might play an important role as regards the ‘narrative capacity’ of political ecology to deliver an empowering vision of the EU future to its constituencies and avoid irrelevance.

## WHAT MAKES THE EUROPEAN GREENS' PERSPECTIVE ON THE SINGLE CURRENCY AND ITS FUTURE DISTINCTIVE?

On the basis of existing documents, such as various resolutions adopted almost unanimously by the European Green Party in recent years, as well as position papers endorsed by the Greens in the European Parliament<sup>1</sup>, it can be said that the European Green political family shares a largely 'integrationist'<sup>2</sup> view on the future of the EMU. By 'integrationism' we mean here a conception which provides a resolute 'no' answer to the first question raised at the beginning of this article, and a straightforward 'yes' to the second. More fundamentally, the integrationist view claims that the way forward in tackling the Eurozone crisis involves much deeper political and economic integration. And that such a further integration is both *desirable* and *necessary* to ensure the viability of EMU itself. Consequently, the *status quo ante* and the current level of 'post-crisis' integration, as well as a hypothetical 'return' to the nation state, are therefore seen as recipes for democratic, social and economic regression.

In a nutshell, the Greens' overall assessment of the state of play of the euro – taken from a recent position paper adopted by the

Greens in the European Parliament – identifies three main socio-economic shortcomings and a fundamental democratic deficit in the current EMU construct. First, there is a lack of proper private and public mutualisation mechanisms for addressing economic shocks; secondly, there is a severe (public and private) debt overhang as well as unsustainable internal and external macroeconomic imbalances; and finally, in its current form, the EMU goes hand in hand with a non-resilient and non-diversified productivism model.

## CRACKS IN THE FOUNDATIONS

According to the overall assessment contained in the position paper referred to above, currently, the EMU has significant potential for disintegration as the common currency has exacerbated the disparities across Europe and divided the continent. But it is not only a potential vector of disintegration. The current common currency model also plays a part in the 'negative integration', or more precisely, 'governance by exception' which is undermining overall democratic legitimacy and European citizens' trust in common supranational institutions.

Indeed, as illustrated dramatically by the never-ending Greek tragedy, the previously unimaginable policy measures adopted in the EMU since

1 [www.europeangreens.eu](http://www.europeangreens.eu) and [www.greens-efa.eu](http://www.greens-efa.eu)

2 Most national Green parties share such views, with the exception of the Swedish and to some extent British Greens who, in many respects, remain close to a more Eurosceptic view.

2008 under the aegis of the European Central Bank (ECB) and the Eurogroup have created a major democratic deficit whereby European citizens are haunted by the spectre of being subjected to an intrusive takeover of national economic policy “*by a hardly identified and hardly accountable process*”<sup>3</sup>. In addition to the prolonged austerity and social degradation experienced by the Greeks, the ‘Third Assistance Programme’ agreed with EU partners and the IMF also represents a democratic disaster as the Greek government will have to consult with and obtain the formal agreement of the Troika (European Commission, ECB and IMF) on any relevant draft legislation before submitting it to its own parliament and citizens.

To paraphrase Jürgen Habermas<sup>4</sup>, the ever-present latent threat of functional and technocratic integration without civic integration, and the development of a common European public sphere has been significantly exacerbated since the beginning of the financial crisis.

The Greens’ response to these socio-economic and democratic shortcomings goes along with an ambitious roadmap encompassing measures to be implemented in the short, medium and long term. Such a roadmap comprises three main pillars: first, the aim is to make the EMU more crisis-resilient by establishing a fiscal union, including a genuine common tax policy and budgetary capacity, a deeper banking union

and genuinely counter-cyclical and future-oriented investment policies. Under the second pillar, the EMU institutions must be deeply democratised to enhance their legitimacy; and thirdly, the roadmap involve the ecologic transformation of the EU economy together with a revived and strengthened European social model.

Ultimately, such measures require the further transfer of sovereignty from EU Member States to the EU supranational level as well as a ‘constitutive’ convention for a federalistic revision of the current treaties. Most European Greens see this as a necessary condition for ensuring that further integration is underpinned by a commensurate level of democratic legitimacy, and consequently to avoid drifting towards disintegration or a technocratic form of ‘integration by exception’ by the elites, for the elites.

The Greens share many elements of this ‘integrationist’ assessment with intellectuals and politicians from other institutionalised and well-known European political families. Yet what sets the Greens apart from other EU political families is their ‘integrationist’ view (going hand in hand with their commitment to subsidiarity in decision-making and implementation) is the fact that such view is largely and, explicitly shared within the Green family. And that it has reached an important level of internal consensus and consistency.

3 <http://bruegel.org/2014/06/from-mutual-insurance-to-fiscal-federalism/>

4 Jürgen Habermas, *The Crisis of the European Union: A Response*, Polity Press 2013

## FROM INTEGRATIONISM TO POST-INTEGRATIONISM

This integrationist view aligns with a rejection of both right-wing and left-wing ‘post-integrationist’ variants according to which the partial or total disintegration of the euro area would enhance democratic legitimacy and foster social and economic prosperity (or at least to some extent protect their constituencies from globalisation). The prospect of ‘positive disintegration’ is from a green perspective illusory since ultimately fragmentation would not only destroy any potential for positive aggregation but would also carry high political and economic costs that can only undermine the democratic capacity of European constituencies to shape their shared future in a globalised world. This is particularly true for their capacity to face common borderless challenges such as climate change or migration.

*Post-integrationism* is not only more general and encompassing concept than euroscepticism but has actually become in fact a solid ‘political majority’ in Europe and is shaping its present and future political regime. Indeed, beyond the rising numbers of traditional and new right-wing Eurosceptics across Europe, mainstream centre-left or centre-right political parties are gradually embracing a post-in-

tegrationist conception whereby the time for deeper political and economic integration is considered to be over, at least for the time being<sup>5</sup>. A remarkable example of this trend is the speech given by Donald Tusk, President of the European Council, at the June 2016 European People’s Party summit in Luxembourg<sup>6</sup>.

Therefore the Greens’ integrationist view not only rejects conventional post-integrationist Euroscepticism, but also differs from the mainstream and more and more post-integrationist conservative, liberal and social-democrat narratives regarding the way forward for the EMU. Indeed, although a non-negligible part<sup>7</sup> of these three political families still considers additional reforms for further integrating the EMU as *desirable*, the sense of urgency and necessity which persisted in the contribution of the four presidents (European Council, Parliament, Commission and ECB) to the European summit in December 2011 – in the middle of the turmoil – receded remarkably as soon as the worst of the crisis was declared over. Furthermore, the probability of a far-reaching reform of the EU legal framework (besides a ‘post-integrationist’ Brexit scenario!) is edging towards zero, given the rising level of mistrust and rejection currently being generated by the EU project. In this context, the debate on

5 Such a trend is illustrated by the post-integrationism move within several parties, including the Dutch, Slovak, Finnish and German Social Democrats, as well as French, German, Austrian, Dutch and Finnish Conservatives and several ‘EPP-aligned’ Eastern European parties, the most extreme being Fidesz in Hungary.

6 Tusk’s speech is available at: <http://www.consilium.europa.eu/en/press/press-releases/2016/05/30-pec-speech-epp/>

future EMU reforms would appear increasingly confined to an academic sphere. Thus, the euro area's three main EU political families acknowledge that, in the reforms enacted so far, the response to the crisis as a '*second best*' realistic compromise framework has at least stabilised the EMU and avoided implosion. In that perspective, the mainstream domain of the 'politically feasible' both frames and is framed by the constructive ambiguity embedded in the phrase 'a smart implementation of the rules and mechanisms established so far'.

As a matter of political realism, this mainstream vision is becoming increasingly aligned with a post-integrationist agenda. However, in the end, the explicit leitmotiv according to which 'further integration is over for the time being' goes hand in hand with an implicit agenda of post-democratic integration by exception as in the end the different crisis management mechanism established recently and in particular the Troika setting have represented a substantial transfer of sovereignty to the supranational level without commensurate democratic legitimacy.

To conclude, it is important to underline that the gap between the *desirability* of further reforms and their *political feasibility* is not only conflating the mainstream political parties into a post-integrationist approach, but also represents a clear *threat* of irrelevance for the actual perspective of the Greens.

## **GREENS MUST FIND ANSWERS TO THE QUESTION: "WHAT IF?"**

The deeper political and economic integration required to ensure the sustainability of the single currency represents a very demanding and ambitious 'threshold'. In addition to the obstacles created by a broad set of required legislative reforms which, to a large extent, are currently lacking a political majority, the Greens' reform agenda requires a far-reaching revision of the Treaty within the next five years. The scope for such a revision – in a context in which post-integrationist forces represent a solid majority in the EU's political landscape – seems practically non-existent.

The logical implication of this perspective is that unless the unlikely scenario materialises whereby the Greens, together with other 'integrationist' allies, manage to overcome a consolidated political majority in most Member States before the next European elections, the viable conditions identified by the Greens to sustain the euro area will not be met. Although such reasoning cannot predict how and when the single currency might unravel, the assumption is that in the absence of the far-reaching reforms referred to, the euro area will be left in a very fragile state and prone to any shock able to trigger its downfall. Such a diagnosis raises two interlinked questions which the Greens need to answer at the risk of simply becoming irrelevant.

First, beyond the ‘Pascalian wager’, which represents the perspective of the potential fulfilment of the above-mentioned conditions, the Greens need to deliver a narrative on what could and should be achieved in the absence of an unlikely fundamental shift in public opinion across Europe. In other words, since the political majority required to implement the Greens’ integrationist agenda is, and will remain, out of reach in the foreseeable future, the green political family must develop a convincing narrative of what political initiatives can be put in motion and achieved through membership of a sizable political minority in the EU. A small, but institutionalised European political force such as the Greens and their allies could deliver an empowering message to the European polities by playing an active role in promoting or facilitating transnational democratically innovative pilot projects of general economic interest, if up to 10% of European citizens are actively involved in their implementation<sup>8</sup>.

Secondly, as mentioned above, the gap between desirability and feasibility seems likely to cause the disruptive wreckage of the single currency project as we know it. So, as a matter of intellectual consistency, the Greens need a forward-looking response to the question ‘what if?’ In particular, such a narrative needs to address the question of how post-na-

tional solidarity would be created and preserved in case of the partial or total disintegration of the single currency.

Addressing these two interlinked questions does not provide a comprehensive response to the overwhelming dangers lying ahead. More modestly, it might be necessary to translate a specific Green narrative on the way forward for Europe into a narrative conveying the message that change and hope do not require a numeric political majority to bring them about. Thus, by so doing, becoming trapped in mainstream tropism, whereby the alternative to disintegration becomes de facto a post-democratic form of integration by exception, can be avoided.



#### FRANCISCO PADILLA OLIVARES

is currently working as advisor on economic and monetary affairs for the Greens in the European Parliament after having worked as a researcher and policy officer in different organisations. He studied philosophy and economics.

<sup>8</sup> For instance, if 10% of the EU population agrees to put EUR 100 each year (in other words, a substantial sum of EUR 5 billion annually) into a solidarity fund to provide support for those most affected by the crisis in Europe or, for example, to address energy poverty in the EU. The fund would be managed in a horizontal and innovative way by its contributors.