

Upheavals in Europe: European identity and crisis solution, “Europe of the 3 Regions”

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Synthetic argumentation

- ❖ Europe is in deep crisis on all aspects: economic, social, political and institutional
- ❖ The economic crisis demonstrates the inability of existing macroeconomic tools and institutions to organize a sustainable solution
- ❖ Lack of growth => EU citizens are captured by radical populists who promise “changes” which consist in turning negatively against scapegoats (using their errors): EU, €, globalization, foreigners & immigrants, markets...i.e. the basis of peace, growth, social welfare and the EU identity
- ❖ Populism => protectionism + nationalism = back to state intervention + clientelism = democracy, European integration and peace at risk = repetition of the 1930s
- ❖ The house is burning: How to react rationally?
- ❖ Our thesis: need for making a broader diagnostic of the roots of this crisis: the economic policy deadlock comes from macroeconomic errors but these are systemic!

Synthetic argumentation

- ❖ i.e. these economic errors come from incoherency between the EU identity and its institutional architecture
- ❖ Solution: to adapt better the EU governance to the essential features of the European identity: more subsidiarity thanks to a change in method with an intermediary level of cooperative governance by groups of MS, preventing centralization by consensus building
- ❖ Not necessary to change the Treaty but to start by implementing by EU Council decisions closer cooperation and coordination by main sub-identities (3 regions) as the first stage of convergence, obliged to bargain in a second stage any decisions according to the present EU decision-making through a coordination among the main 3 regions.
- ❖ After successful experimentation, this two-tier system of integration could be set-up in the Treaty or by EU Council decision as far as no change in the EU level would result.

The European crisis

- ❖ The Economic crisis reflects a much deeper crisis of economic and political governance
- ❖ Economic policies: Monetary policies have reached their limits: zero rate nominal interests with unconventional policies, accumulation of risks for financial bubbles and mismatches. Not the fault of the ECB but for not having a genuine lender-of-last-resort as other CB in the world.
- ❖ In the situation of “liquidity trap” only fiscal policies could act efficiently, but excess of debt ratios in most countries impedes its use while those in condition to do it (Germany and Northern countries) refuse for domestic conditions and lack of supply reforms in their indebted partners. Not either the fault of the EU, but of MS.
- ❖ Exchange rate of the € depends of the combined policy-mix of the US and the EU (€ is main counterpart of the \$), Not the fault of ECB nor MS

The European options

- ❖ As a result: 2 main options usually advocated, both would mean tragic mistakes for the EU integration
- ❖ 1) to go back to monetary sovereignty = costly illusion = inflation and depreciation with explosive budgetary costs (debt in €, spreads of interest rates, snowball effect) = beggar-my-neighbour-policies => disintegration of the EU,
- ❖ 2) to strengthen centralized coordination of fiscal policies or to have an Euro-economic government = federal state = undemocratic and anti-constitutional since budget are national laws; even less radical option would trigger nationalistic reactions and more populist strength => anti-EU too
- ❖ We need alternative option: more subsidiarity with more “cooperative competition” under organized vigilance of public opinion and financial markets sanctions/rewards (spreads on national bonds as opposed to EU bonds awarded to convergent MS for their own sake

The European identity issue as a solution

- ❖ Europe is characterized by a common identity but it is not similar to a national identity
- ❖ The root of the crisis comes from an EU institutional governance which tries to mimic the national governance trying to impose a “one-fits-for-all” while the effective power remains exclusively in MS hands (“judges & parts”)
- ❖ => ambiguity exposing to moral hazard: MS use the EU as scapegoat while the EU has no effective power
- ❖ = incoherence with respect to inner European identity creating popular dissatisfaction and deception
- MS identities were all built before to be democratic
- EU democratic governance built before to get a sufficient common identity allowing for a federal government (or centralized policies)
- => EU identity is this specific ability to compose with heterogeneous cultures => pragmatism => capacity to process differences = integration dynamics and a method

The European identity issue as a solution

- ❖ European identity = a set of values which allows for taking advantage of the differences => selection of practices which remain valid and usefull
- ❖ Therefore the EU institutional structure has to reflect this plural identity and to rely upon these methods which emerge from a long trial-and-error process: a coordination among sovereign peers and not a centralistic “jacobin” coordination by the Commission or the EU council
- ❖ The easiest way is by grouping MS according to their “like-minded” features: our identity analysis leads to propose the “Europe of the 3 regions”:



The E3R as a solution

- ❖ Northern: Belgium, Netherlands, Luxembourg (BENELUX as bridge), Germany, Austria, United Kingdom, Ireland, Malta,, Switzerland, Denmark, Finland, Sweden, Norway,
- ❖ Mediterranean: France (bridge) Spain, Italy, Greece, Portugal
- ❖ Eastern: Hungary (Bridge), Czech Republic, Romania, Bulgaria, Slovakia, Slovenia, Lithuania, Estonia, Slovakia, Poland, Serbia, Croatia, Ukraine
- ❖ The principle is using better internal cohesion in these groups for increasing internal cooperation and external policies for improving their bargaining power with the two other groups inside the EU architecture: competitive cooperation

European identity and Western issue

- ❖ **European Identity= Occidental Identity**
 - Common Ethos-Continental History
 - Judeo-Christian culture - Illustration- Universalism
- ❖ **European Identity= melting pot - sub-identities (kaleidoscope)**
 - = 3 main linguistics roots (Germanic, Slavic, Romance)
 - = 3 sub-cultures/sub-identities
 - *Mediterranean
 - *Northern
 - *Eastern
- ❖ **Sub-identities converge in Occidental Identity**
- ❖ **Macro-economy and policy should adapt to the REAL sub-identity and socio-economic needs, but under the incentive (emulation) produced by competition inside the EU with other sub-identities => convergence**
- ❖ **Allows for emphasizing internal cooperation for competing in better conditions => Rebuild social cohesion and give sense to the EU as an single umbrella and ultimate goal**