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# A Less Perfect Union

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Europe After the Greek Debt Crisis

By *Kathleen R. McNamara*

The European Union is an unparalleled historical experiment in governance. There is no other example in modern times of such an intensive effort to establish a peaceful, prosperous political community beyond the nation-state. Forged out of the ashes of two devastating world wars and a great depression, the union of nation-states has been increasingly bound together through markets, laws, and institutions. Although the trust and optimism that must underpin such a community has waxed and waned over the years, the poisonous atmosphere that has arisen in the wake of the Greek debt negotiations is remarkable, particularly as it comes on the heels of several decades of such extraordinary success.

First, let us be clear: The EU is not collapsing, and, no matter what happens to Greece and the eurozone, the EU's institutions, laws, and policies will remain in place for the foreseeable future. But the perception that Germany made a brute power play to force Greece to accept devastating bailout terms in exchange for euro membership has unleashed a backlash against that country and deepened cleavages between northern and southern Europe. In the process, the Greek negotiations have unwound the willingness of many EU citizens to join their political fates together, a commitment that constituted the heart and soul of the European project. The result may be a less cohesive Europe, one that is unwilling to act in the world as a single unit and thus less able to address the continent's key challenges: economic stagnation and unemployment, the influx of political refugees, climate change, and political instability outside its borders. More broadly, the Greek debt crisis has demonstrated once and for all the fragility of a polity that does not rest on robust institutions and norms of legitimate democratic governance.



*John Thys / Courtesy Reuters*

*German Chancellor Angela Merkel talks with French President Francois Hollande during a Eurozone emergency summit on Greece in Brussels, June 2015.*

Understanding how the Greek crisis will affect the future of the EU requires first examining the sources of European integration. The European project has long moved forward along two separate but reinforcing tracks. The first is what scholars call “intergovernmentalism.” Over the years, a series of high-level negotiations have resulted in a half-dozen complex treaties that set the blueprint for the EU as a political actor, from the 1958 Treaty of Rome (which established the European Economic Community) to the 1992 Maastricht Treaty (which created the euro) to the 2009 Treaty of Lisbon (which upgraded the EU’s foreign policy presence). The treaties have extended the EU’s policy capacities, reorganized its institutions and actors,

and enlarged the union to encompass 28 states beyond the initial core of six. The treaties were negotiated by accountable, elected national leaders and often approved by national parliaments or in public referenda. In this so-called intergovernmentalist process, Germany's chancellor and France's president have been the crucial actors determining the path of European integration. Balancing each other's differing economic and geopolitical positions, the Franco-German leadership over the past decades allowed for the effective management of different national preferences and visions for the EU.

The second track has been one of low-level, incremental institutional development. Here, what scholars term "functionalism" has Europeanized everyday life through rules and programs that have gradually transformed what was previously national governance into EU governance. In this track, governments are not the primary actors; instead, so-called eurocrats, in partnership with national bureaucracies and societal groups, have generated the specific rules and programs to carry out the overall objectives of the treaties, creating a web of institutions and practices across Europe. From traffic laws to food safety, from healthcare rights to Internet privacy, the EU increasingly and intrusively shapes public and private life in its 28 member states and beyond. The democratic legitimacy of functionalism rests on the notion of technocratic expertise and the neutrality of law, which in its ideal form treats all Europeans the same.

But as the EU has taken on even more ambitious projects, such as the single currency, it has become clear that the two tracks offer too shaky a foundation for the European project. The eurozone crisis has highlighted the limits of both intergovernmentalism and functionalism as ways of governing, and it showcases the incomplete political development of the union. The EU holds the promise of profound transformation for its members. The successful transitions to democracy undertaken by member countries such as Spain (and the entire eastern flank of the EU) are intimately associated with the EU's governance and remain both incentive and identity for the European project. The states besides Greece that suffered debt crises after the financial meltdown—Ireland, Italy, Portugal, and Spain—have been able to move forward within the broader EU framework, albeit at the cost of domestic suffering. But divisions over what to do in the Greek case seem to have presented too big a challenge for the EU to handle through its traditional

means. The commitment of the German government to austerity despite a chorus of critics (including such sober observers as the IMF and the editorial board of the *Financial Times*) has broken apart the initial solidarity of the EU in dealing with Greece.

The one-off, intergovernmental negotiations over the terms of financing have produced a highly politicized debate over whether the rich northern European states should help out the “profligate” southern ones. Eurozone negotiations on such issues as redistribution and the collectivization of debt form a striking contrast to the way such policymaking occurs in a national setting. In the United States, for example, when one region or state is suffering, there is a collective social safety net that will automatically, without debate, provide a shield from the harshest effects of the crisis, whether in the form of food stamps, Social Security, Medicaid, or other entitlement programs. Debt is mutualized in the U.S. Treasury bills. The EU has no equivalent EU-wide eurobond. When the funds were distributed from the massive American Recovery and Reinvestment Act of 2009 to stimulate a broken U.S. economy, they were apportioned according to a formula that was hidden from the average voter. Public infrastructure projects, energy and education funds, the unemployed, and the elderly all got stimulus money, but the public debate centered on whether the United States should spend the money as a whole, not on how it was to be distributed. The historical development of the EU, with high-level intergovernmental negotiations on the one hand and low-level incremental functionalism on the other, has not produced the mechanisms to support a political community seeking to navigate through hard times.



*Kai Pfaffenbach / Courtesy Reuters*

*Banners left by a protester in front of the headquarters of the European Central Bank in Frankfurt, Germany, July 2015. The banners read: "90 millions from the European Union destroyed by Greece", "No more money from ECB, EU for the Greek money destroyers" and "Humanitarian aid for the Greek people."*

The dream of a post-national, cosmopolitan political community, once arguably the goal of the EU, is now at stake. It has been seriously damaged by the perfect storm of a devastating transatlantic financial crisis, an inadequately designed eurozone, a clientelistic Greek political economy, a Germany unwilling to bend to keep the eurozone together, and a France unable to play its historic role balancing Germany. The events of the past month have turned the EU away from its role as a political entity with a shared collective purpose and back into its role as a straightforwardly intergovernmental negotiating body, with fears of moral hazard and financial contagion trumping European ideals.

Everyday Europe—the layering of laws and institutions that profoundly shape the life of EU citizens and those beyond—will persist. The deep roots of the EU have reshaped Europe’s terrain irrevocably. But the events of the past few weeks have made a mockery of the EU’s innovative community. For a time, it seemed that an almost unimaginable Kantian “zone of perpetual peace” had been established in Europe, as national power politics gave way to the spirit of collective governance. No longer. For the millions that have lived under a free, stable, prosperous, and ever-expanding Europe, the divisions exposed during the Greek crisis represent a devastating turn of events. The question is whether the EU’s political community can once again reinvent itself to deal with the demands it faces.