



The Political Economy of the Crisis: The End of an Era?

by Loukas Tsoukalis

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For a long time, European integration had been like a car moving uphill: the French usually provided the driver, the Commission the map, the Germans paid for the petrol, and the British oiled the brakes. In more recent years, it looked like a car without a driver, the map was replaced by a GPS, going on and off, the Poles insisted on taking an insurance policy with God, nobody wanted to pay for the petrol (and some clearly cheated), while those inside had an argument about how many more could fit into the car.

We are now moving downhill with an accelerating speed. In order to avoid a crash, we desperately need a driver – some people believe we need a driver who speaks German. We need a GPS that functions, a sense of direction, a minimum of order inside the car and an agreement about how to share the bill. It is crucial that European integration turns once again into a positive sum game, which has not been for some time.

The European political scene has become more pluralistic, with a wide range of opinions and interests. The interplay of national interests has always determined the course of European integration, the famous Community method notwithstanding. But as integration deepened and widened, national interest became more relative as a concept, and more directly shaped by partisan preferences. Other interests have begun to raise their pretty or ugly heads. There is no single European narrative, as constructivists would have said. If it ever existed, it has surely suffered several deaths as a result of successive rounds of widening and deepening. And that is not necessarily a bad thing, just another sign of the European political system becoming more pluralistic and hence more mature.

Europe needs political oxygen to breathe. Otherwise, it may suffocate, or die from boredom. True, interminable council meetings conducted through interpreters in search of the long-winded compromise is not the stuff that is likely to attract the old-style politician full of adrenalin. The nature of European politics is indeed different, but no less real. It often looks dull and introverted. There is something stale in the European world of Brussels. But we also know from experience that a few personalities can make a big difference, and we desperately need them today. Politics is about choices,

and choices need to be clearly articulated and explained to citizens. In our European countries today, political choices must have a strong European component. Our security and prosperity depend on it.

There is a role for individual countries and for European institutions to play in giving concrete form and shape to the new era. The division of labour between the nation state and the EU needs to be protected both from the missionary zeal of bureaucrats and judges keen on bulldozing all kinds of national particularities and idiosyncrasies in the name of the four fundamental freedoms of the treaties, but also from the illusions propagated by 'sovereignists' in a highly interdependent, congested and pretty small, yet highly diverse, continent. There should be enough room for differentiation in order to cater for internal divergence, as well as flexibility for those who may want to stay (temporarily?) out of common policies. And more emphasis should be placed on policy innovation and measures that work in a complementary fashion with those at national and local level.

In some policy areas, however, Europe will require more not less coordination and integration. Financial markets are a prominent example, because interdependence in the market place has already gone very far. Interdependence needs joint management, and this has to be explained to people: there is an educational role for politicians as well. The same applies to the environment, the governance of the euro and also parts of the internal market. Can we seriously argue, for example, that in a single market with free movement of goods and capital, there is no need for coordination in the area of taxation, including corporate taxes? Unless we imply that taxes do not matter, or that free riding should be elevated into a high principle of the integration project. Of course, nobody is seriously talking about harmonized taxes, only for minimum rates that would put a floor underneath what now looks like a race to the bottom.

Solidarity should remain an integral part of the overall European bargain. But it needs to be explained and defended against all kinds of populists and narrow nationalists. It also needs to be connected to common projects and common goods, in which most if not all see

tangible benefits for themselves; and it has to be subject to conditions and rules. No free lunch, in other words. This surely applies to the governance of the euro, and it should increasingly apply to immigration and free internal borders. Solidarity does not enjoy ample space in our increasingly atomized societies – and this is only more true across borders. We shall need to rediscover the meaning of society and the value of public goods in the years to come, thus partly reversing a trend that has lasted for long and has gone too far. Of course, none of the above is value free. But political economy in its classical form was not value free either. We have been invited to present and debate future options for Europe that go beyond conventional wisdoms, thus following the example that Ralf Dahrendorf had himself set as an author and political animal. This is my own modest contribution to the debate. With reference to *What Kind of Europe?*, Ralf paid me a huge compliment when he wrote: ‘it restored my belief that it is possible to be pro-European and analytical, indeed critical’. I have tried to remain loyal to that objective.

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