



Four reasons why the EU is failing

Korbinian Rürger and Benjamin Zeeb discuss why
the European Union is failing and what we can still
do to save it

The recent victory of Emmanuel Macron as president of France has instilled in many on the continent a fresh hope that a new dawn for the EU might be just over the horizon. Could the coinciding shocks of Brexit and Mr Trump's election in 2016 become a galvanizing moment in Europe's history? Is this the turning point when the peak of crisis is finally overcome, and we Europeans can at long last start to look confidently towards a brighter future?

It certainly seems like the EU has gained some new fans recently, with people from Berlin to Rome taking to the streets under the banner of the 'Pulse of Europe' movement, waving the blue and yellow flag, loudly expressing their support for the historic project of European Integration. Unfortunately, however, there is little reason for jubilation as none of the continent's most pressing problems have come any closer to a solution. Nor are they likely to in time.

Still Europe treads dangerously close to the brink of ruin, with a long list of very real risks all individually capable of wiping away half a century's worth of progress within the blink of an eye. Meanwhile the actions required to put Europe back on track far exceed even the boldest proposals for reform coming out of Brussels and national capitals.

Under these circumstances it is no longer the duty of Europhiles to try to explain to our storm-tossed citizenry why the EU is good for them, why they should support it, and what it does for them. Instead it is our responsibility to convey why, in its current state, the EU can do remarkably little for them, and that, in any case, it probably won't be around for much longer if we don't radically change course to avert disaster.

Here are four reasons why the EU is going to fail and what - if anything - we can still do to save it.

A flawed structure

Historically, when it comes to the organization of political systems, there have essentially been two winning strategies. Either your state is very large and simply by virtue of size more powerful than almost all competitors. Think

the Roman Empire, Ancient China, the US today. Or you are very small and agile, creative and flexible, able to bend rather than break in the face of hostile acts by larger adversaries: Singapore, Switzerland, or the City States of Renaissance Upper Italy.

Both, being large and being small, come with upsides and downsides in statecraft, but, with the exception of the Holy Roman Empire, which eventually collapsed under its own weight, the EU stands alone in having accomplished a dubious feat. Despite its sheer size it manages to harness almost none of the benefits that have historically come with being large while at the same time suffering many of the downsides that should be reserved for much smaller entities.

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With being large, in Europe's case this includes commanding the world's biggest unified market, there should come economies of scale, massive negotiating power, the ability to project power and define rule-sets far beyond one's own geographic boundaries, as well as an ability to protect one's own citizens and immediate neighbours from war. Essentially, you don't get bullied as easily when you're big.

But very few of the benefits of being big apply to the EU today. At the same time it has managed to retain most of the downsides of size: a remote centre in charge of setting rules that is considered out of touch with the population, a sprawling bureaucracy with lacking legitimacy that has become the target of populists and separatists alike, and, maybe most consequentially, a high vulnerability to unforeseeable black swan events that threaten the intricately woven web of interactions, be they financial, political, or cultural, that hold the whole thing together.

All of this wouldn't matter as much, if Europe's member states were able to at least retain some of the benefits of being small. That would mean greater flexibility, a more immediate relationship and exchange between citizens and the ruling elite, greater flexibility, proper democratic representation and, crucially, fiscal independence. Being small means that you likely profit from your neighbours financial failings while it is less likely that you will be adversely affected by your competitor's profligacy or over-production. Member states of the Confederate System of the EU, of course, share traits of both small and big entities. However, they have uniquely failed to leverage the benefits of both.

An ill-designed currency union

In the perception of many people, when the financial crisis of 2008 hit Europe, was the moment it all started to go downhill for the project of European integration. Ever since then many see the EU as an institution in crisis, and to some extent rightly so. It is not that the EU's structural flaws were created then, but Europe's financial and wider economic crisis made them blatantly obvious. Unlike other economies worldwide also hit by recession, the euro-zone's countries were and still are trapped in a currency union that is incapable of reacting to external shocks be-

cause it lacks a common fiscal policy. This unprecedented design flaw in the creation of the Euro has more than once caused whole countries to nearly go under. That it hasn't been corrected to this day is simply unbelievable.

One thing that continues to stand in the way is Germany's shrieking horror in the face of a possible 'transfer union'. This has become most obvious again in the negotiations about the latest tranche of financial aid for Greece in June of this year. Greece is a country crippled by crisis for almost ten years now. Ever since the first of three bailout packages was signed by the IMF and eurozone governments in 2010 the Greek economy is being just barely kept alive.

The IMF and virtually all mainstream economists have by now acknowledged that the country will never get back on its feet without substantial debt relief. Consequently the IMF has made any future involvement in financial aid for Greece contingent on such debt relief. The Eurogroup under the leadership of German finance minister Wolfgang Schäuble in turn has so far blocked any attempts for substantive relief, while at the same time insisting that the IMF stay involved. June's agreement to release the latest funds, once again keeping Greece from immediate sovereign default, reflects these opposing views by making debt relief a future option to be reviewed next year with the IMF staying on board for now.

The German government cannot get itself to acknowledge that debt relief for Greece is one of the necessary transfers within the eurozone that have to be made to keep it from falling apart. Funds have to flow from richer parts of the Union to poorer parts to secure a minimum of fiscal harmonization. One of the most promising proposals to that effect is a European unemployment insurance scheme. Without such measures, part of which would also be a European finance ministry overseeing its own substantial budget, the eurozone, and with it the EU, will not survive.

An inadequate security setup

Another area where the EU is failing is its security policy. This is one of the areas where close cooperation between member states is absolutely indispensable. Bearing few exceptions, the member states have in effect no internal

borders and almost identical foreign policy and security interests. Border patrol, intelligence and military are thus three things that most naturally should be taken care of on a European level. Yet, very little progress has been made in recent years.

This has become blatantly obvious in the most tragic of ways when Europe proved unable to deal with the ongoing 'refugee crisis'. When refugees from the Middle East and Africa fled war and hunger in numbers unprecedented since World War 2, those countries with an external border have largely been left to their own devices and many of them are either unable (Greece, Italy) or unwilling (Hungary) to control it in a way that is in line with Europe's security concerns as well as with a humane and sensible immigration policy.

This is a task that needs to be taken care of on the European level. We need a European scheme that is in charge with securing the Union's external border, of course in close cooperation with regional authorities, handling all immigration, including the distribution of asylum seekers across the Union. This scheme needs to be financed entirely by European funds.

The same goes for intelligence. The security threats faced by EU member states are by and large the same. The top priority at the moment no doubt lies in preventing further attacks like the ones in Barcelona, Berlin, Brussels and Paris. Almost every one of those attackers has travelled or even lived in different European countries. All of them have benefitted from insufficient cooperation between national intelligence services and police forces. It is far from crazy to think that one or more of these attacks could have been prevented had this not been the case. It seems distasteful to mention how economically wasteful it is to run 28 intelligence services that do much of the same work. But, of course, this is also true.

This last point is also very relevant in terms of European military spending. There has been much discussion about European NATO members that spend far less on their defence budget than the agreed upon 2% of GDP. The far

more effective way to increase the military capacity of European countries to a level far beyond the 2% goal without even spending that amount, would be to form a European army under single command. Harmonization effects would increase Europe's defence capacity far more than simply pouring more money in to the same defective system would.

Of course, this would likely not satisfy Donald Trump, who thinks that European countries 'owe money' to the US for enjoying years of American defence without paying much for it. However, satisfying the US president should not be the goal in any case. Rather Europe should see the US's retreat as a welcome opportunity to grow up and develop a defence structure that is able to secure the safety of European citizens without having to rely on the goodwill of whoever happens to occupy the White House.

A crisis of democratic representation

With the formation of informal Institutions like the Troika, the Eurogroup, and later the ubiquitous 'Institutions', the traditional and constitutional right to determine a state's budget, which is one of the most essential rights of any democratically elected parliament, has disappeared in practice.

In many cases including Spain, Ireland, Italy, Portugal, Cyprus and Greece, parliaments can no longer make independent decisions on the state's financial resources and therefore are no longer able to properly represent the will of their respective national constituency. Even after the end the bailouts, the dependence continues. Essentially it doesn't matter who you vote for if you are a Greek or a Spaniard, economic policy (including on matters of taxation and government spending in your country) will be made in Brussels, Paris, and Berlin.

On the global stage, Europeans are supposed to gain greater weight through membership in the EU. However, does the EU even adhere to the will of a majority of Europeans in questions of trade, environment, and foreign policy? The answer is, it probably doesn't. How are we, under the current system, even supposed to discern what that will

is? The answer is, we can't. To solve this crisis of representation we need to push for a massive overhaul of Europe's democratic institutions.

Is there hope?

One (wo)man, one vote! This simple principle should guide all our ambitions for reform in Europe. Unfortunately, we can't leave this process to the national elites representing their respective member states and their diverging interests. We have to take matters into our own hands.

Historically, successful unions have resulted not from gradualist processes or legalistic procedures. They have come about through defining events in times of extreme crisis. Progress towards the formation of states with new political structures is usually caused by events, rather than processes. Europe needs such an event now.

Much like the Philadelphia convention, which gave the United States a constitution didn't reinvent the wheel as to how to form a federation, Europe does not have to do so either. After all, with more than two hundred years of federal practice, it is possible to analyse the costs and benefits of the United States' constitutional model and to create an adapted European one based on the outcomes. ■

Korbinian Rüger is Treasurer and Head of Campaigns, and Benjamin Zeeb is the CEO at the Project for Democratic Union