European elections ahead but no changes expected! Plus ça change...

Regardless of the outcome, the elections won't change the current course of European politics, write Raoul Kirschbichler and Mario Fantini

The outlook for the eurozone looks bleak: High levels of unemployment. Low economic growth. Recession. In addition, credit is scarce and many European banks remain fragile. Unless there are serious policy changes, the worst days of the European crisis may still lie ahead. But even if Europeans vote for new MEPs in May, will anything really change?

Contrary to what some political observers have said, the European Union today does not suffer from a democratic deficit. Rather, it suffers from a governance deficit, particularly on economic matters. Over the past few years, there seems to have been a broad inability among its elected officials and policy-makers to properly identify, frame and respond to the challenges posed by the European debt crisis.

Unfortunately, this is not set to change anytime soon. Whatever the results of the European elections slated for 22-25 May, the fundamental policy approach to solving the crisis will probably remain the same. Even if the two major parties in the European Parliament — the European People's Party (EPP) and the Socialists & Democrats (S&D) — see a big loss of seats, and even if voters choose to go in a more populist direction, Europe is likely to see no new economic concepts or ideas that could lead Europe out of the crisis.

One has to recognize that the initial impetus leading to the three-stage Economic and Monetary Union (EMU), and the subsequent introduction of the euro in 1999, was fundamentally political not economic. The eurozone never fully constituted an 'optimum currency area' nor can it be suggested that all member states were ever fully committed to the grand vision of the European project.

In fact, the idea that political, economic and monetary integration would create a 'United States of Europe' that would bring prosperity to all Europeans everywhere was always merely a theoretical proposition — some might even call it a dangerous 'pipe dream'.

Europeans simply have never liked sovereign power to shift to a central authority elsewhere. And national identity and sovereignty have always become more important whenever common, supranational goals have failed. We only have to remember Hermann the German.

So today, solutions to the ongoing problems of the euro do not lie in increased political integration or more centralized fiscal policies, as has been suggested. What Europe needs is growth. And this means that the private sector needs to be allowed to 'breath'. This can only be done by ending the interventionist madness of Europe's financial regulatory authorities. If central banks keep meddling in the debt markets, say, then there will be no chance for the private actors to figure out exactly when to invest or liquidate, and in which sectors to direct new financial resources.

We should be perfectly clear about one thing: Governments do not create jobs; markets and private sector entrepreneurs do.

We should also recognize that since the European Central Bank is in charge of monetary decisions, a 'one-size-fits-all' approach to interest rate policy predominates. The result is that countries with rising unemployment have interest rates that are still too high, while countries with high wages have interest rates that are too low.

At the same time, the decisions of the European Central Bank seem to be designed to minimize the dominance of Europe's economic engine, the German economy. This has already fuelled tension among some EU member states and has helped to undermine the basic idea underlying the whole European project — which is to persuade citizens to identify with 'the European idea'.

All eyes have thus been on Germany. But the Germans can't carry the euro alone on their shoulders. And increasingly it seems like France will really play the central role in deciding the euro's fate. France must thus become another anchor of growth and stability in Europe.

Broad public support for the Europe project will always depend on the EU's economic achievements. But ever since politicians launched the third stage of the EMU 15 years ago, the constituent economies have been too diverse and simply too varied. In fact, just a couple of months after the launch of the euro, many EU member states had already violated the 'Stability and Growth Pact' adopted by the European Council in 1997 and had abandoned the Maastricht Treaty's 'no bail-out' rule. Europe's governments quickly and easily betrayed themselves. They failed to live up to their economic agreements. And since then, Europe's voice in the world has been effectively weakened.

Today, Brussels is still just reacting to the debt crisis. It has never quite been in charge of the agenda nor has it taken a proper leadership role. What European leaders have done is adopt quick solutions to fast-growing problems, but no long-term solutions have been sought nor have any major reforms been implemented. We have seen year after year of 'cosmetic' or superficial changes, with banks — and, in some cases, states — bailed out. But the roots of any of these problems were never really tackled.

And as the underlying root problems are allowed to grow and fester, so too has demand for greater economic integration — including a misguided call for a common 'European finance minister' with control over the taxes and budgets of all EU member states. This is nothing more than yet another attempt to shift problems to the supranational level where there is even less of a chance of solving them.

There are plenty of areas where common or collective action is needed at the EU level. Energy and the environment may be two such issues. But trying to address the European economic crisis through greater centralisation and harmonisation of fiscal and monetary policies is a wholly misguided notion.

So if we speak of a 'governance deficit', we should have in mind the political class in Brussels and elsewhere that has led to this critical moment in Europe's history. And if the elections in May produce yet another European Parliament filled with the same uninspired policy-makers that we have been seeing, then Europe is in for a tough time indeed. In fact, such a situation could well end up diverting the political agenda away from microeconomic or regional integration, two fresh ideas that would actually be quite useful.

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Regardless of the outcome, the elections won't change the current course of European politics. Whoever comes to power — in Brussels or in any member state — will be confronted with the same challenges and decisions as before. But we have little doubt that the lethargy and confusion that reigns among Europe's political class will continue to limit the decisions that any newly elected politicians can make. And at the end of the day, it will be the same old story: Businesses will bear the burden of fiscal consolidation, governments will bear none of it and the European crisis will continue to smoulder. Somehow, that doesn't seem quite right. ■

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