

Europe's Crisis of Legitimacy: *Governing by Rules and Numbers in the Eurozone*

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Empirical Argument/Findings

- **Eurozone Crisis:** Not just Econ but Politics/Democracy
 - In absence of deeper political integration w > democratic rep/ control
 - In face of divided preferences, instit'l constraints and legal obstacles
- ***End up 'Governing by Rules, Ruling by Numbers'***
 - Reinforce SGP thru 'packs' and 'pacts' in exchange for loan bailouts
- **Puts Democracy at Risk**
 - as EU technical rules substitute for national politics
 - As crisis evolves -> *deteriorating economics*
 - + *toxic politics* = rise of extremes, euro-skeptic & anti-euro/EU
- ***EU Instit Actors' Response: Reinterpret rules/numbers 'by Stealth'***
 - that is, without admitting it in communicative discourse to public
 - Instead, mainly continue to insist that sticking to the rules.

Theoretical Question 1: How to Theorize Institutional Change in Eurozone Crisis

- **Rational Choice NI** --perverse incentive structures for structurally flawed euro; divided pref's; Germany w N Eur coalitional allies aided by decision rules; hard bargaining games—viz Greece
- **Historical NI**--path dependence of rules; self-reinforcing processes of rules regulating euro; impact on national VOC regularities; incremental change via layering
- **Sociological NI**--cultural frames = German ordo-liberalism
- **Discursive NI**: substantive content of ideas & discursive processes of interaction in instit context—sees disjunction bw Euro discourse & action; diff levels of ideas viz deep philosophy (ordo and neo-lib), Euro 'stability' policy programs, neo-lib strux reform policies; cognitive vs normative arguments fr rules; coordinative vs communicative discourse

Theoretical Question 2:

How to Theorize Legitimacy in Crisis

- **Basic conditions met?**
 - Dem and/or legit? Weberian acceptance of EU as morally authoritative
- **Output Legitimacy:** policies *for* the people (for common good)
 - Performance, effectiveness
- **Input Legitimacy:** politics *by & of* the people (will of people)
 - Citizen representation/participation, gov responsiveness
 - **Trade-offs:** more of one makes up for less of other
- **Throughput Legitimacy:** processes *with* the people:
 - Quality of processes = Efficacy, accountability, transparency, accessibility, inclusiveness—'procedural' legitimacy
 - **No trade-offs:** If good, invisible, if bad skews input, taints output
- **Problem in Crisis:** EU actors assume throughput rules are sufficient to produce good output so input unnecessary

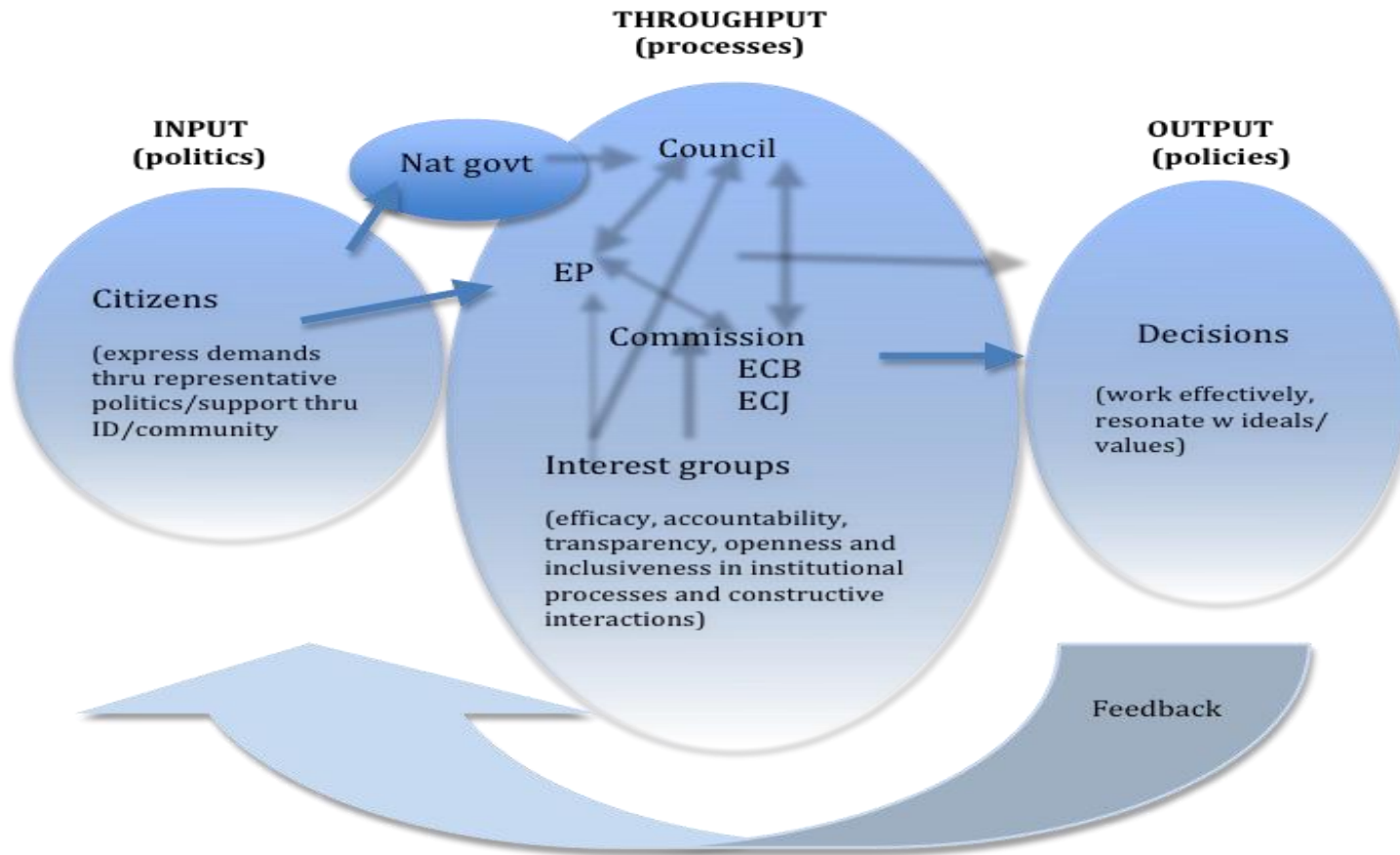


Figure 1: A revised systems approach to the EU: input, output, and 'throughput' (Dark arrows = direct effects; transparent arrows = less direct effects.)

Output: Effectiveness/Performance

- **Output effectiveness of ideas?**

- Brussels/Frankfurt consensus--Ordo-Liberal w 'sound money,' 'stable finance'; Neo-Lib 'structural reform'
- Failures in framing—as public debt vs private
- Failures in diagnosis—as behavioral vs structural
- Bad choice of remedies—double down on rules
- Lack of solutions—no fiscal solidarity, EMF, eurobonds, etc.

- **Policy Performance and results?**

- Macro divergence, surplus/deficit countries
- Little/ no growth
- Rise in unemployment/*poverty*--reports Council of Europe, Caritas, EP on humanitarian crisis

Input: Representation/Responsiveness

- **EU level:**
 - **Council and EP**—claim input legit indirectly or directly
 - **ECB**—trade-off w Output? **Comm**—2^{ndary} input as Council/EP agent?
- **National level**—main locus of input
 - But nat'l govts > output responsibility than input responsiveness? (Mair)
 - Politics w/o policy natl level vs policy wo politics for EU—yet policies highly political!
 - **Citizens** hold nat'l politicians accountable
 - Cycling of nat'l gov'ts, loss of trust (Hobolt et al.)
 - Negative image of EU, renat'lization of debates (Kriesi et al.)
 - Rise of Euroskepticism on left, right, and *center*!
 - Rise of extremes—populism!!! Right and left (Panizza et al.)
 - Technocracy and populism both vs. party government...
 - BREXIT! Refugee Crisis responses, etc.

Throughput: Quality of Processes

- **EU actors—first reinforce the rules**
 - Assuming quality throughput=> good output w/o need for input
 - But when faced with bad policy (output) performance and increased political (input) volatility =>
- **EU actors reinterpret rules ‘by stealth’**
 - *Increase flexibility but do not admit in discourse*
 - **Output:** taint perceptions--actors appear bullheaded/ideological
 - **Input:** skew politics = > populists; Misleads: S. Europeans feel oppressed even when accommodated; N. Europeans feel deceived.
- **EU technical/political actors, diff pathways to legit**
 - **Political actors:** communicate w nat’l constituencies o processes
 - **Technical actors:** coordinate via expert networks to gain innovative ideas and to legitimate them?

Who Determines Legitimacy: Technical Actors, Political Actors, or the Citizens?

- **Citizens**—ultimate judges of legitimacy, but political actors translate for citizens, and turn to experts for advice on what people *really want*
- **Technical actors** (*ECB/Comm*)
 - expert assessments based on sci principles
 - Cognitive arguments/weapons in charts/graphs;
 - Coordinative discourse w policy experts in non-majoritarian
- **Political actors** (*Council/EP*)
 - resonate w citizen values/community norms
 - Normative arguments/principles of distrib justice, fairness, equity
 - Communicative discourse of policy legitimation to public

ECB: 'Hero' or 'Ogre'?

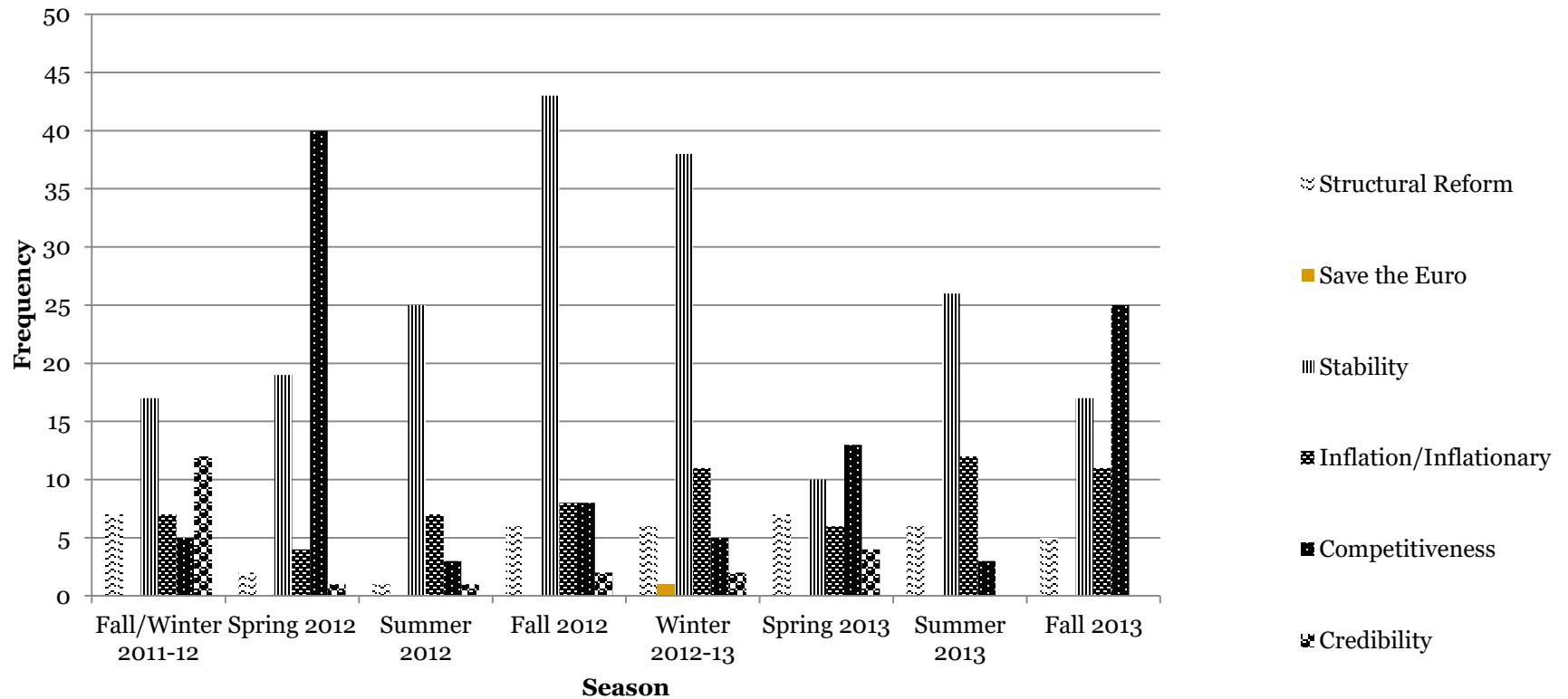
from '*One Size Fits None*' to '*Whatever it takes*'

- **ECB legitimacy:** Claim Output (little shadow of nat'l (input) politics)
 - Bg w strict interp of Charter (throughput) but slowly reinterpret rules
- **Hero: Monetary Policy—**
 - Ideas: From 'credibility' to 'stability' + 'whatever it takes' to QE (LOLR?)
 - Discursive process: Draghi – coordinate w expert networks
 - & politicians, e.g., 'charm offensive' w Merkel, and to isolate BB + EP
 - + Leadership matters: Trichet (admin) vs Draghi (econ, finance, banker)
- **Ogre: Austerity and structural reform**
 - LOLR w conditionality—fiscal consolidation/strux reform *quid pro quo*
 - Trichet's secret letters (input illegitimate?)

ECB President Mario Draghi

Word Use Frequency (Fall 2011 to Fall 2013)

Source: Speeches/Press Conferences, randomized choice, 3-4 per season



Council: ‘Dictator’ or ‘Deliberative Body’?

governing by ‘*One Size Fits One*’ Rules

- **Council legitimacy**—claims input as indirect reps of people.
 - Problem: M-S leaders not rep forum, but bargaining arena
- **Dictator?** German *diktats* in Council (RI)
 - > Intergovernmentalism, supranationalism (Fabbrini)
 - Germany’s ‘power of one’ in hard bargaining arena? No more Fr?
 - Push >stringent rules/numbers, delays Greek bailout, Constit Court
- **Deliberative Political Body?** Consensus-seeking discourse (DI)
 - Deliberative intergovernmentalism (Puetter)—agree on rules/no’s
 - Change discourse fr just stability to growth (Monti/Hollande), flexibility (Renzi/Hollande) w > politicization/contestation, then add investment (Renzi/Juncker)

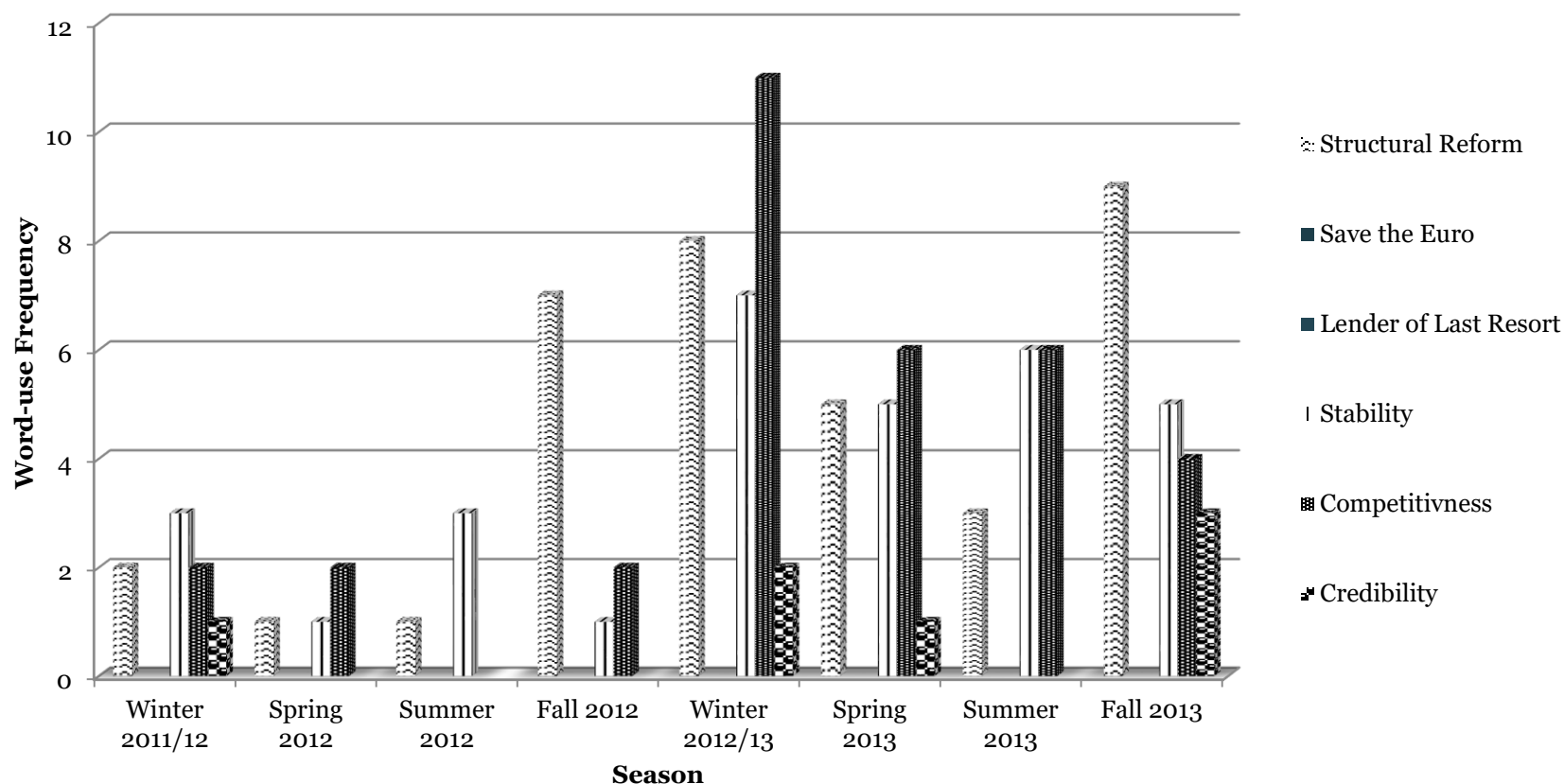
Commission: ‘Ayatollahs of Austerity’ or ‘Ministers of Moderation’? in ‘One Size Fits All’ Gov

- **Commission Legitimacy:** via throughput processes + indirect input thru accountability to input legit actors & now esp EP??
- **Ayatollahs of Austerity?**
 - ‘*Secretariat*’ to Council; ‘*Enforcer*’ in Eur Semester; worse in Troika
 - Input: Undermines nat’l parl input legit by vetting nat’l budgets
 - Output: ‘ruling by numbers’ prob for diff VOC; politics of numbers
- **Ministers of Moderation?**
 - As output fails > flexibility in EDP and MIP
 - Slow deficit reduction, push strux reform; (AGS) w > ref to Eur 2020
 - BUT Rehn discourse still Ayatollah, worries o Council pressure
- **Juncker commission?** new autonomy w double accountability/EP
 - Tell truth o flex, but w rules on flex (Juncker 2015), renewed concern w credibility in 2017?

DG ECFIN Commissioner Olli Rehn

Word-usage Frequency (Fall 2011 to Fall 2013)

Source: Speeches/Press Conferences, randomized choice, 3-4 per season



Parliament: from 'Talking Shop' to 'Equal Partner'? beyond '*No Size at All*'

- **EP Legitimacy:** claim most legit bc only directly elected, but how representative given abstentions rates, lack of power in Eurozone?
- **EP as Talking Shop:**
 - European Parliament sidelined in crisis—little *input*/little effect on *output* (Six-Pack, give away own ability to review Commission)
 - Nat'l Parliaments-- no *input*, no *output*, little *throughput*
- **EP as increasingly Equal Partner?**
 - > legislative input via Comm Method for secondary law
 - > go-to body for input legitimacy by other EU instit actors
 - > input legit via Spitzenkandidat + throughput thru Comm?

Toward the Future (medium/long term)

- **More fiscal solidarity for Output?** Eurobonds/EMF/ cyclical adjustment fund, EU's own resources, etc.
- **More avenues for Input?** > linkages bw EP/nat'l parls; > Community Method; Treaty reform via Conventions/supermaj/opt-out
- **Better Throughput Processes?**
 - ***Eurozone Rules:*** *end unanimity rule -> supermajorities w opt-outs; treaty-based Eurozone rules => ordinary legislation*
 - ***Eurozone governance:*** *yearly EU macro budgetary coord... EU rules/numbers as guidelines; ECB set targets/Comm recommend, Council/EP deliberate; flip EU semester via decentral w nat'l indus policy Councils for bottom up rather than top down consultation*
- **EU organization:** *NOT two speed Europe of Eurozone vs Single Mkt, w Eurozone **hard core** & own Euro-parliament but multi-speed*
 - ***soft core*** *of clusters of MS in overlapping policy communities*

Concluding Neo-Institutional Theory: Explaining EU institutional Change

- Discursive Institutionalism complement to other NeoInstitits:
 - Preferences matter: North vs. South (RI and DI)
 - Institutions matter: unanimity rule=joint decision-trap
 - Instit Power/position matter: Tech: ECB vs. Comm; Pol: Council vs EP
- Ideas and Discourse matter: for reinterp of rules/legitimacy
 - No talk is ‘cheap’—not acknowledging prob’s means suboptimal rules
 - But not admitting reinterpret creates space for informal change
 - altho risk illegitimacy
 - Ideational processes of change (and continuity)
 - ‘bricolage’/sensemaking in ‘disruptive ambiguity’ (SI)
 - Coord discourse for layering(HI), conversion, reinterpret rules
 - (DI) Agents (re)construct ideas o institutions, communicate/persuade