

Bologna Institute for Policy Research
Via Belmeloro, 11 - Bologna (Italy)
+39 051 292 7811 www.bipr.eu

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Speaker: Dr. Vivien A. Schmidt, Professor of International Relations at Boston University

Chair: Matthias Matthijs, Assistant Professor of International Political Economy at Johns Hopkins University, SAIS Europe, Bologna, Italy

“Europe’s Crisis of Legitimacy: Governing by Rules and Ruling by Numbers in the Eurozone”
A part of the Understanding the New Europe Series

Dr. Vivien Schmidt tackles the question of European legitimacy in this seminar; in particular, she examines the Eurozone crisis and how the measures used as well as the rhetoric given have impacted this question of legitimacy. She begins the seminar by addressing the empirical arguments and findings of the Eurozone crisis, stating that the crisis was not just about economics, but also about politics and democracy. In the absence of more democratic representation, deeper political integration, and the inherent divide of national preferences, Eurozone heads of state and government chose to “govern by the rules and to rule by the numbers.” This choice, Dr. Schmidt argues, only served to reinforce the current system of loan bailouts that had been set up, putting democracy at risk by substituting supranational technocratic rules for national policies and politics. However, as the economic crisis evolved from a ‘fast burning’ to a ‘slow burning’ one, and the economic policies were shown to not be working, Eurozone officials did revisit the numbers and rules ‘by stealth,’ changing them through ‘flexible interpretation’ as they needed to tackle the ongoing economic problems. This however was done with little public communication, or as Dr. Schmidt describes it, almost “in secret.”

As Dr. Schmidt continues with the talk, she draws attention to one of the main theoretical questions that she has tackled in her academic career, i.e. how to theorize institutional change, in this case as it involves the Eurozone crisis. She goes on to outline the principal theoretical frameworks, with a brief review of each in terms of their use in explaining the Eurozone crisis. Rational choice/neo-institutionalism focuses on divided national preferences and the structural design flaws of the euro, historical institutionalists talk about path dependencies of the rules and self-reinforcing processes, while sociological institutionalists tend to see cultural frames, such as the German ordoliberal preferences guiding decision making. Dr. Schmidt lays these initial theories in order to introduce a fourth, i.e. her own analytic framework of “discursive institutionalism,” which looks at the content of ideas and the discursive process within a given institutional context. She examines the different levels of ideas, the philosophies behind them, cognitive vs. normative arguments for rules and the policies various programs implemented. What she finds, using this theoretical framework, is a disjunction between discourse and the actions taken during the crisis.

The second theoretical question that Dr. Schmidt asks is the following: how do you theorize legitimacy in crisis? As before, she points out two traditional views, based on ‘systems theory,’ i.e.

output legitimacy and input legitimacy. The first relies on performance and effectiveness of policies, policy *for* the people. The second is policies *by & of* the people, and relies on the level of citizen representation. There are obvious trade-offs between the two; more of one usually means less of the other. However, Dr. Schmidt proposes a third version of legitimacy: “throughput.” She describes throughput legitimacy as process *with* people, and relies on the quality of processes such as efficacy, accountability, accessibility, and transparency. Dr. Schmidt sees this third version as having no trade offs; if it is good, then it remains invisible. If it is not, it will skew inputs and taint outputs. This is where Dr. Schmidt lays the true blame for the crisis. The problem, she argues, is that EU policy makers believed that throughput legitimacy (good rules) would be enough to produce good policies; as such, real input was unnecessary.

Dr. Schmidt then spends the remaining time of her talk going through the different forms of legitimacy that different EU institutions possess and their perception. Beginning with the European Central Bank (ECB), who she accredits with seeing itself as having ‘output’ legitimacy. She goes on to describe the perception of the ECB, being either a ‘Hero’ during the crisis, having switched its rhetoric from credibility to an emphasis on stability and its willingness to be a (almost) ‘lender of last resort’, or an ‘Ogre’ as it also pushed for austerity and structural reform in return for liquidity provisions. She goes through this exercise for the remaining institutions: the European Council assuming it has input legitimacy, as does the Parliament, while the Commission assumes it has throughput legitimacy.

She closes the seminar by asking about the future, taking a medium to long run outlook. She poses questions with regards of the future of European legitimacy, and the avenues that they may take. Will there be more fiscal solidarity or output? More avenues for input? Or will Eurozone governance focus on the rules by improving the throughput processes? She concludes that one of the main problems of the EU has been the Eurozone crisis, and that it has produced or is at least the root of the subsequent existential crisis that the EU is experiencing today.