

Patrizia Attanasio

Matr. 068202

Dipartimento: Scienze Politiche

Cattedra: Diritto dell'Unione Europea

Relatore: Professor Paolo De Caterini

ABSTRACT: La crisi finanziaria ed istituzionale dell'Unione Europea.

Analisi critica delle politiche europee e valutazione delle dottrine circa i limiti dell'intergovernalismo.

European Union: the financial and institutional crisis.

European policies' critical analysis and assessment of the theories about inter-governmentalism's limits

The crisis, which affected the European Union, concerns not only economic and financial issues, but also its institutional structure. Considering the policies and the decision process that have characterized the European reaction to this crisis, I have decided to focus my dissertation on their consequences. The effects of the phenomenon are clear and visible today within the EU member States. Citizens' protests have exploded and made sceptical parties gain a vast consensus everywhere. The European institutions have had great difficulties in dealing both with the crisis consequences and people's reactions.

What I have analysed is the fundamental shift that it is possible to underline in the European decision process: EU has adopted a different method to take its measures during the past 6 years. The shift I am referring to is the one from the communitarian method (considered the ordinary legislative procedure) to the intergovernmental procedure (that have become the most used one).

What has intrigued me are the reasons of this change and therefore its consequences as well.

My dissertation is divided into two chapters. The first one is about the crisis' historical excursus with a deep analysis on European policies and the decision method that has been used. The second one assesses the major scholars' theories about the inter-governmentalism and the consequences it has involved.

The start point of my analysis is Lehman Brothers' failure in 2008, because it represents a devastating moment for both the EU and the US. Worried about the consequences of this clash, European countries have started to think about a solution. The European Union's response has arrived late for two reasons: the EU's institutions have underestimated the consequences of the American bank system crisis and there wasn't an institutional method to deal with this category of events.

The very first actions have provided a temporary financial assistance to the European countries in troubles, such as Greece. Then the following European actions have involved a more deep convergence between the nation States' political economy. A big number of programs, like the European Semester and Six Pack provisions, have started in order to control European Countries on the financial and the economic spheres.

As I have pointed out in the first chapter, the European measures taken from 2011 have changed direction: since 2011 they have started focusing in a deeper integration.

Fiscal Compact and other stabilization mechanisms have enforced the influence of the European Union on the Member States' political economy. After that, the EU's Institutions have created the basis for a future banking Union. Because of the technical effects these actions may involve, a strong necessity of strict control is needed: the European Commission and the European Central Bank have been considered fundamental in achieving good results in this matter.

European member States have definitely lost their power for the economic and financial policies. Yet, the national Parliaments and their citizens did not like the European intrusion in such sensible spheres. The EU has lost an important part of its democratic legitimacy because the intergovernmental and the technical institutions only have played a role in crisis' decision-making.

The last two years have represented a temporary economic recovery: stabilization and recovery programs for the countries with higher debt rates finished in 2013 and there have been a slightly positive increase in growth percentages for some countries. A new European Parliament has been elected in 2014 and we are waiting for the official approval of the European Commissions.

Since 2009, the European Council and the member States (in international meetings or during the Euro Summit) have put in action the majority of the European Union measures to react to the crisis that they could have. An inversion within the EU has changed the method used to address the European problems.

Therefore these are two different reasons why the intergovernmental method has been used the most during the financial crisis: first of all the European crisis has required a fast and effective method to solve its consequences and then Germany and France leaders, Angela Merkel and Nicolas Sarkozy, have shared a common vision on the way to answer to this kind of problems. Consequently, the intergovernmental method has been used as business as usual during the financial crisis.

As already mentioned before, I have decided to focus on the limits and on the consequences of the intergovernmental method in the second chapter of my dissertation. Several scholars' publications have supported the main topics that have examined in this paper.

First of all, there is a big number of differences between the communitarian and the intergovernmental method, even if they are both provided by the article number 289 of the Treaty on the Functioning of the European Union.

On one hand, the communitarian method is more legitimate thanks to the role of the European Parliament (it has the power to approve or to refuse the European Commission's legislative proposals).

Furthermore, the cooperative and competitive relationship between the European Council and the European Commission gives to the communitarian method a more effective power.

On the other hand, the intergovernmental method is faster because agreements need only the bargaining phase among the member States to be completed.

According to Majone¹ (2012) the intergovernmental method has brought out some important issues like: the separation between politics and economy, the EU's democratic deficit, a lack of effectiveness in the European process. Moreover, there has been an undervaluation of the member States' heterogeneity and the separation between politics and economy has been one of the most important benchmarks of the European counter-crisis policies.

¹ Majone, G., 2012, *Rethinking European Integration After the Debt Crisis*, Working paper No.3, University College London, June 2012.

One of the most upsetting issue about the EU is its lost of effectiveness.

The European policies have focused on the issues related to the member States debt crisis, helping the indebted countries to stabilise their finance the EU has lost its capacity to identify and to accomplish the European citizens' expectations. Consequently, reaching the "European common good" (admitting its existence) has become difficult due to the veto and consensus system of the intergovernmental method. The European citizens have been disappointed by the way the EU has addressed the crisis: European austerity policies have affected citizens' everyday life without asking for their political participation.

Moreover, the separation from citizens' political influence has increased the democratic deficit of the EU. Even if the European Union promotes European citizens' rights and its institutional structure is based on the principle of check and balances, legitimacy lacks because citizens have not been involved in crisis decision-making enough. Therefore, EU has suffered from input legitimacy deficit, which has increased the number of sceptical political parties.

Also, the level of output legitimacy, which is related to the results of a political measure, has not been satisfying as imagined. Some scholars, as Scharpf (2012)², have held the possibility to reduce the impact of EU's policies; this solution could not solve the legitimacy problem. European Union's institutions have to be more accountable and inclusive for the European citizens.

Counter crisis measures have brought up another significant issue: the heterogeneity of EU. The 28 member States have different characteristics that sometimes can make difficult find a common solution. The debt crisis has divided the EU into two groups: the indebted countries who would have been more worried about the crisis effect like Greece and Ireland, and the member states who have not had this kind of problem like Germany. The second group has had a huger bargaining power during the European Council meetings or during the Euro Summits. Countries like Greece have been considered like debtors so they have had to accept the decisions undertaken by the EU.

² Scharpf, F.W., *Legitimacy Intermediation in the Multilevel European Polity* - MPIfG, Discussion Papers, 2012.

The last issue linked to the EU institutional crisis is the technicalization of its choices. The EU's counter crisis measures have been considered like "*politics without politics*"³ because they have been isolated from the political framework. EU member States have taken decision far away from the national politics to safeguard the integrity of the unpopular EU measures. This issue is connected to the legitimacy of the European Union: the more the EU has taken initiatives to solve the crisis without the citizen involvement, the more EU citizen has reacted to be more involved.

Some institutional reforms could solve the issues that I have presented. For instance, a National Parliaments' involvement in the EU policy-making could determinate a form of legitimization. The institution of a common economic government could also remove the institutional gap related to the absence of a European counter-crisis mechanism. In my opinion, it is too early think about a so thorough institutional reform.

To sum up, European member State have had to agree on the intergovernmental method to guarantee the safeguard of the EU financial stability with unpopular counter-crisis measures. The European citizens, the National Parliament and the European Parliament have not been involved in the EU decision-making. Consequently, crisis management has entailed some important issues as the legitimacy deficit and the lack in effectiveness.

In conclusion, the election of the new European Commission has required some legitimization of the EU thanks to the role of the European Parliament election. The new EC's President, Jean-Claude Juncker, could have the possibility to bring to the EU more legitimacy and effectiveness. He has been elected by the European Parliament and for this reason he is more legitimate. Consequently, the European Commission would be more able to deal with the citizens requests and expectations, thanks to its elected President. Moreover, politicians would start to apply for the EC's President. So, European political parties would become more essential in the member States political framework too.

Nevertheless, European citizens' political involvement will continue to be a critical issue in the EU future.

³ Schmidt, V., *The Eurozone Crisis Challenge to Democracy: which way forward?* Open Democracy, 14 December 2012