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**Preliminary Thoughts on
Re-Envisioning the European Union**

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Preliminary Thoughts on Re-Envisioning the European Union[♦]

Vivien A. Schmidt^{*}

Introduction

Over the past three decades, the EU has brought about massive economic transformation, extensive territorial expansion, and major democratic renewal. Today, however, the European economy is in crisis, enlargement in limbo, democracy under pressure. And disagreements continue about the most basic of questions concerning: What is the European Union? How far should it expand? What should it do in the world? EU identity, in other words, remains at issue as the European economy is headed into recession and as European democracy is stalled at the EU-level due to the delays on the Lisbon Treaty and increasingly volatile at the national level due at least in part to the EU itself.

Can the EU cope with these issues? And if so, how? This article suggests that the EU may be able to cope. But this requires 1) re-envisioning EU identity, as a ‘region-state’ with nation-state members in overlapping policy communities; 2) re-envisioning EU democracy, with new EU rules of the game on decision-making (by giving up on the unanimity rule through opt-outs in place of vetoes), on membership (by abandoning the uniformity ideal), and on participation (through more politics and pluralism); and 3) re-envisioning the EU economy, with new EU initiatives to respond to the economic crisis that are more democratically legitimate and ‘solidaristic’ as well as more economically effective.

The economy is intimately connected to democracy and identity. The linkages are reasonably clear in any democratic nation-state, as political leaders gain the legitimacy to make decisions about the economy through election by the collectively self-identified ‘people’, who can sanction them at regular intervals. In the European Union, the relationship between economics, democratic politics, and identity is more complex. This is because the democratic legitimizing mechanisms generally found at the national level are split between national and EU levels. Nation-states combine—in Abraham Lincoln’s famous dictum—political participation *by* the people, citizen representation *of* the people, and governing effectiveness *for* the people—plus, adding a preposition, *with* the people through interest representation. The EU’s ‘region-state,’ by contrast, is split between the national level—which has much more citizen participation *by* the people and representation *of* the people—and the EU level—which has more governing effectiveness *for* the people and interest consultation *with* the people. Tensions between the EU’s

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two levels have grown over the years, as economic decision-making has increasingly moved upwards toward the EU level while politics and identity have largely remained national, along with the mechanisms of electoral sanctions (see Schmidt 2006). The most recent illustration of the problems that result from these disconnections between EU level economics and national level democracy and identity are the failed referenda on the Constitutional and Lisbon Treaties, when a question about institutional reform presented citizens for the first time in a long time, if ever, an opportunity to voice their opinions directly on the EU. Unfortunately for the EU, their responses focused more on questions of EU economic policies and/or the EU's impact on national democracy and identity than on the question being asked.

Today in particular, as we are on the brink of a period of deep and possibly prolonged economic recession, if not depression, democracy and identity in Europe may be particularly challenged. If the EU does not respond collectively and effectively to the economic crisis, or if it does not bring the public along with it as it responds to the crisis, the European project itself could be jeopardized. It is for this reason that I consider some of the deeper issues related to EU economic integration and their implications for EU democracy and identity.

This essay begins with a discussion of EU identity, focused on how member-states' four differing discourses about the nature, borders, and actions of the EU might co-exist, if not be reconciled, by re-envisioning the EU as a region-state while ending unanimity and uniformity rules. It follows with a set of suggestions for how to re-envision the EU in terms of European politics and political economic policies.

Re-Envisioning EU Identity and Institutional Rules

The problem for the EU is that some very basic 'existential' questions remain unanswered related to what it is, how far it should expand, and what it should do in the world. And without answers to these questions, it has difficulty reforming its political institutional rules, let alone responding to the need to improve citizens' sense of empowerment and to find innovative EU solutions to their economic problems.

A new EU identity as 'region-state'?

The member-states have very different answers to questions about the nature, limits, and goals of the EU, given that they have at least twenty-seven different visions of the EU. These visions can nevertheless be loosely divided into four basic, non-mutually-exclusive discourses about the EU (see Schmidt 2009; following Sjursen 2007 for the first three kinds of discourse, Howorth 2007 for the fourth). They include a pragmatic discourse about the EU as a borderless problem-solving entity ensuring free markets and regional security, which is generally characteristic of the UK, Scandinavian countries, and the Central and Eastern European countries; a normative discourse about the EU as a bordered values-based community, most identified with France and Germany, but also Austria, Belgium, the Netherlands, Italy, and Luxembourg; a principled discourse about the EU as a border-free, rights-based post-national union, attributed to the Commission and to philosophers like Habermas (2001) and Beck and Grande (2007); and a strategic discourse about the EU as global actor 'doing international relations differently' through multilateralism, humanitarian aid, and peace keeping. This has increasingly become the preferred discourse of member-state leaders generally, with the EU depicted as 'project' rather than 'process' (Sarkozy) or as having 'projects' (Brown), in their efforts to govern *for* the people in response to global challenges such as economic crisis, climate change, poverty, and terrorism. But agreement on what to do can always be undermined by disagreements on what the EU is and how far it should expand—whether as widening free market, deepening values-based community, or democratizing rights-based union—not to mention EU decision rules involving unanimity and uniformity.

This brings us to the question: Is it possible to conceptualize the EU in ways that allow these different visions of the EU—borderless problem-solving entity, bordered values-based community, border-free rights-based post-nation union, and global actor—to co-exist? Not if the decision-making processes and future boundaries of the EU continue to be thought about as they have up until now. For the moment, the future is conceived of much as for nation-states, with reasonably clear boundaries, membership as a question of ‘in’ or ‘out’, uniform rules for all, and unanimity for treaties that decide on major institutional reforms, policy initiatives, and enlargement to new members. This worked well in the past, when the member-states numbered 6, 9, or even 12. But at 27 or more, this is a recipe for disaster, as we witnessed with the referenda on the Constitutional and Lisbon Treaties. Today, the unanimity rule, designed for an intergovernmental union of six nation-states, stops the treaty process dead in its tracks while the uniformity ideal imposed by a Commission dreaming of a federal state chokes off differentiated integration. The only real possibility to move forward while reconciling the differing visions of the EU is for member-states to recognize what the EU is and to change the decision rules accordingly. This demands new ways of thinking about the EU.

One such way is to conceive of the EU as a ‘regional state’ (Schmidt 2004, 2006), by which I mean an entity with state-like qualities and powers in an ever-growing number of policy domains, with variable boundaries due to its ever-enlarging territorial reach as well as its member-states’ increasingly differentiated participation in policy ‘communities’ beyond the Single Market. Calling the EU a ‘regional state’ is not of the same order as evoking empires, republics, or superstates, which are normative conceptualizations of the EU. Instead, calling the EU a regional state reflects empirical reality.

The ‘state’ in regional state speaks to the EU’s state-like qualities in areas such as international trade, in which the trade representative speaks for the EU as a whole; in monetary policy, which the ECB effectively controls through the EMU and EMS; in competition policy, which the Commission administers with a strong hand on mergers and acquisitions both inside and outside the EU as well as on state aid; and in jurisprudence, as the ECJ has effectively become the authority for the judiciaries of all member-states through the doctrines of supremacy and direct effect as well as the practice of national court referrals of cases to the ECJ for preliminary rulings.

The ‘regional’ in regional state not only modifies the ‘state’, suggesting the many ways in which the EU is not a state akin to that of the nation-state, including the fact that its members are themselves nation-states in a regional union. It also refers to the fuzziness of the EU’s regional territory—will it stop at the Balkans, Turkey, Georgia and the Ukraine, or continue on to Russia or the other side of the Mediterranean?—and to the variability of participation in its policy communities. Although all member-states belong to the Single Market, membership is varied in a wide range of areas, including the Single Currency (with 16 of 27 member-states), Schengen (minus the UK and Ireland but with Norway, Iceland, and most recently Switzerland), ESDP (without Denmark but with the participation of Norway in the Nordic Battlegroup and with all members being able to opt in or out), the Charter of Fundamental Rights (with opt-outs for the UK and Poland), and freedom of movement of workers, which excludes Romania and Bulgaria until 2014, the other CEECs until 2010 (except for the UK, Sweden, and Ireland).

Admittedly, international relations theorists may not like the name regional state because ‘a state is a state is a state;’ comparativists may misunderstand the term because a ‘region’ for them refers to the subnational level; and this could be dismissed out of hand if it were seen as concept-stretching. But this is not concept-stretching, it is conceptual innovation. It uses ordinary language to describe a new and as yet un-named political-institutional entity beyond the nation-state. After all, we talk about the city-state of the past as well as the nation-state of the present without difficulty. So why not speak of the region-state for this newest of international political forms? The name itself, however, is not as important as the concept, which encourages us to think beyond the current configuration, and to countenance significant changes in the EU’s

political institutional organization and processes, in particular with regard to ending the unanimity rule and the uniformity ideal.

An End to the Unanimity Rule?

Speaking of the EU as a regional state without the unanimity rule on EU treaties allows one to envision opt-outs rather than vetoes as the *modus operandi* of the EU. This should not be all that hard to imagine, since the EU has already breached the principle of unanimity in a number of cases, including the UK in the Maastricht Treaty on EMU and the Social Chapter (to which it opted-in as of 1997), plus now the Charter of Fundamental Rights in the Lisbon Treaty; Denmark with Maastricht on EMU and ESDP; and now Ireland, if it passes the Lisbon Treaty, on neutrality, abortion, and its own Commissioner (as agreed in the December 2008 Council meeting). Abandoning the unanimity rule would help avoid the hazards of the current process, in which individual member-states have been able to hold the others hostage, delaying the entry into vigor of treaties approved by the others and often watering down measures desired by large majorities in futile attempts to engineer compromise (as in the Social Charter, which was watered down in an effort to get the UK to buy in rather than veto, after which it negotiated an opt out anyway).

In short, what we need is a ‘*treaty to end all treaties*,’ such that opt-outs substitute for vetoes in the ‘treaties.’ Without the unanimity rule, member-states could reach agreement on the big policy issues to pursue by allowing the occasional negotiated opt-outs for those members with legitimate reservations about participation in a given area. Agreement itself could be decided by a supermajority of members. As former Commissioner Mario Monti (2009) suggests, this could follow the example of constitutional reform by two-thirds majorities in federal states, the proposal (Penelope) from the European Commission to the European Convention that ratification by three-quarters of member-states constitute adoption of the Constitutional Treaty, or the suggestion by representatives of the European Parliament and some governments (including the French) that a super qualified majority of four-fifths of member-states suffice for treaty ratification. If any of these rules were agreed, however, the question is what to do about countries that do not ratify, whether because the government refuses, the parliament votes against, or the public referendum fails. In cases of referenda, Monti proposes a second referendum, phrased in terms of the country in-or-out of the EU. Although this might be appropriate for treaties that propose major institutional reforms that would affect how the EU functions with all the member-states, it would not be for a whole range of treaties focused on specific policies, in which opt-outs would serve the EU’s purposes much better. Moreover, insisting that countries hold a second referendum constitutes a form of blackmail, because it leaves countries no option other than to accept all policies regardless of their position—or to leave the union. What is more, it might make governments fight even harder at earlier stages to block or water down any potential treaty for which it fears a negative public vote in referendum.

Exit through opt-out would help avoid dead-ends on treaties for which only one or two objecting member-states hold the entire EU hostage as well as the dilution of treaty initiatives in the search for consensus. Opt-outs could also apply to the Single Market in cases that challenge deeply-held values, such as abortion in Ireland and Poland, alcohol in Sweden, drugs in the Netherlands (see Kurzer 2001), or even co-determination in Germany. At the moment, exceptions to the rules are allowed only in very exceptional circumstances and have a very high bar to cross (as in the case of GMOs for Austria and Hungary, which the member-states upheld against the Commission proposal to lift the ban in March 2009). By the same token, the requirement of supermajority agreement would not apply to smaller groups of countries interested in deepening their ties beyond where the majority wishes to go, which is covered by the different forms of ‘enhanced cooperation’ discussed below.

The ‘Catch-22’ is that to end the unanimity rule with a ‘treaty to end all treaties’, the EU would need member-state unanimity for its ratification. Without the opt-out option, the member-states would not be likely to countenance the supermajority rule for treaties. With that option, some form of treaty to end all treaties is plausible, especially given recent history with regard to the Lisbon treaty. In fact, were the Lisbon Treaty not to be ratified, this new decision rule could come much sooner than one might expect.

An End to the Uniformity Ideal?

An end to the unanimity rule goes hand in hand with accepting more differentiated integration for the member-states, and an end to the uniformity ideal. This would again recognize the reality on the ground, that is, that the EU has already given up on uniformity in policy areas other than the Single Market, such as EMU, Schengen, ESDP, and the Charter of Fundamental Rights as well as on uniformity in territory through its range of openings to non-members through ‘economic areas,’ ‘neighborhoods’, and ‘partnerships’. It would also acknowledge the future prospects of differentiated integration through enhanced cooperation.

The beginning of the end of the uniformity ideal (much as with unanimity) came with the UK opt-out in the Maastricht Treaty on the Social Chapter and EMU. The principle of differentiation was officially recognized, however, when ‘enhanced cooperation’ was written into the Amsterdam Treaty (albeit in unworkable form), modified marginally in the Nice Treaty, and made workable in the Lisbon Treaty through ‘permanent structured cooperation’ for defense and security policy and ‘enhanced cooperation’ for all other policy areas by allowing nine participant member-states to move forward as a last resort decision when the Union as a whole cannot attain those same objectives within a reasonable period (Treaty of Lisbon, 2007/C 306/22/2). This could promote significant progress in a range of policy areas. Permanent structured cooperation, for example, would allow European Security and Defense policy to advance through the creation of new integrated structures, better use of resources, and more coordinated action (see Howorth 2009). Enhanced cooperation could encourage, say, interested eurozone countries to go ahead with greater fiscal harmonization; allow for the creation of ‘immigration zones’ that group together countries with similar immigration or asylum policies, e.g., the CEECs, the Mediterranean countries, and Continental Europe; and might even lead to the creation of ‘pools’ for health care provision among countries sharing borders. This would be especially useful in countries where cross-border medical shopping upheld by ECJ decisions has increased pressures on welfare states by eroding their borders (Ferrera 2005). Note that the first instance of enhanced cooperation under the more stringent ECM (enhanced cooperation mechanism) of the Nice Treaty was launched in July 2008 on the issue of divorce law by eight countries, in response to frustration with the obstruction of liberal countries like Sweden and conservative countries like Malta (which does not recognize divorce).

Differentiated integration is only increased by the ‘outside insiders’ like Norway, Iceland, and Switzerland which participate in the Single Market as well as in a range of other EU policy communities such as Schengen and ESDP but don’t have a vote. It is complicated by initiatives like the Bologna process for higher education harmonization, which was set up outside the EU by EU member-states, includes most member-states (but again not the UK) as well as many non-EU states across Europe, and was aided financially and administratively by the Commission. Such differentiated integration will be further extended by the Eastern Partnerships proposed by the Commission, to be launched in spring 2009, which involve deep and comprehensive free trade agreements, gradual integration into the EU economy, ‘mobility and security pacts’ to allow for easier legitimate travel while fighting corruption, organized crime, and illegal immigration, democracy and good governance promotion, and more (http://ec.europa.eu/external-relations/eastern/docs/index_en.htm). The developing Mediterranean Union would, of course, take differentiated integration even farther.

The only thing yet to be floated is the concept of graduated membership for countries on the EU's periphery which are candidates for accession (now or in the future). Why shouldn't the EU take the next logical step, by declaring that membership is no longer a matter of 'in' or 'out' but a longer term question of 'in which areas' or 'out of which areas.' For a country like Turkey in particular, it would help avoid the likelihood that in fifteen or twenty years time it would have been turned off by the non-democratic, hard-bargaining accession negotiations led by the Commission, the ever-present possibility of veto (by Austria or France), and the ever-growing number of *acquis communautaires* negotiated without it (Schmidt 2009). Moreover, graduated membership would be a spur to countries on the EU's borders to continue to liberalize and democratize in hopes of joining, thus enabling the EU to maintain its 'power of attraction' (Leonard 2005), which could be lost if it fixed its borders at any given point. Accession would therefore become a gradual process of differentiated integration for bordering countries, with accession coming policy area by policy area, once certain initial conditions were met related to democratic practices, respect for human rights, and internal market reforms. This would help avoid the 'big bang' of accession (or rejection) after long years of hard-bargaining, provide on-going socialization into the EU's consensual policymaking, ensure implementation of EU rules, and promote continued democratization.

But such graduated membership would only be attractive to prospective members, as well as to outside insiders, if it were to come with institutional voice and vote in the sectors in which they participate. Otherwise, for countries in the EU's periphery, why try to meet the criteria demanding significant democracy and market opening when neighborhood policy allows entry into the European market with criteria that are more exhortatory than real with regard to democratization? And for countries like Norway, Iceland, or Switzerland that already participate in the Single Market in myriad ways, what is the value-added of graduate membership if they don't have voice and vote in the areas in which they participate? Graduated membership with institutional voice and vote is important not only to attract partial members but also to ensure that the policy decisions are not only the best ones because everyone has a say in them but also because they are thereby the most legitimate (see Schmidt 2009).

How an EU with graduated membership would work in any given policy area is open. Some areas may not need much formalization, with the EU Commission operating as the administrative support link, as in the Bologna process for higher education. In others requiring significant institutionalization, by contrast, we could take a page from European Monetary Union, which already has a kind of graduated membership (in which some member-states are in, others out), with highly developed institutional voice and vote for its members through a restricted Council of Ministers (the Eco-Fin); with a central decision-making body, the ECB; and with the Commission to police eurozone members or to warn non-members of any violations. If European Security and Defense Policy (ESDP), for example, were to develop substantially using the 'reinforced structured cooperation' procedure under the Lisbon Treaty, it could ensure institutional voice and vote through a Council of Defense Ministers made up of participating members; central strategic coordination through an EU Security Council similar to the US National Security Council; a clear division of member-states into groups based on capacities and potential inputs so as to optimize synergies, resource sharing, and generate better outputs; the integration of neighbors such as Georgia and Ukraine into the policy process, much as is already done for Turkey, an EU caucus in NATO, and more (see Howorth 2009). The Single Market would be notionally easier to manage, since inside outsiders like Norway already sit on expert committees with regard to standard harmonization and have voice but no vote, thus serving as a model for other soon-to-be graduated members. The question would be how to work out EP representation. But even here, non-members have had delegations to the EP, as in the case of the 2004 and 2007 accession countries, participating in discussions even when they have not had the vote.

Once the principles of unanimity and uniformity are abandoned, membership in the EU ‘region-state’ need no longer be seen as an all or nothing proposition. Beyond certain basic membership requirements—being a democracy which respects human rights and participates in the Single Market—member-states could increasingly come to pick and choose the policy ‘communities’ of which they wish to be a part, by opting in or out of them without stopping the other members from going forward. If we were to imagine what the EU as regional state would look like on a map, we would likely over time find a rather large core of deeply but not uniformly integrated members, mainly in Continental and Mediterranean Europe, including some of the CEECs, with somewhat less integration for the UK and Nordic countries, and even less as we move eastward. Elsewhere, I have suggested that this is neither a ‘*Europe à la carte*,’ as those who envision the EU as a borderless free market might wish, nor does it encourage retreat to a ‘*core Europe*,’ with one dish for all, as those who envision the EU as a values-based community might desire. Rather, this is an elaborate ‘*menu Europe*,’ with a shared main dish (the Single Market), everyone sitting around the table, and only some choosing to sit out one course or another from an ever-expanding range (see Schmidt 2008).

Some might ask what such a menu-based European region-state does to identity, and whether it doesn’t actually destroy any possibility of reconciling the four differing vision of the EU. The opposite would be the case, since it would enable countries with opposing visions, in particular those of the EU as market vs. the EU as community, to co-exist. Those countries with visions of the EU as a borderless free market and security area could maintain this while participating in the Single Market and, say, ESDP. Those with visions of the EU as a values-based community could sustain this while participating in most policy areas or even deepening their integration through enhanced cooperation. Those with a rights-based vision would be satisfied by the EU’s continued democratizing influence in its periphery. And finally, all of this would reinforce the strategic vision of the EU as global actor, since the EU could continue to exert its ‘power of attraction’ with regard to its neighborhood, to enhance its reach by deepening inter-regional as well as intra-regional cooperation, and to improve its influence through reinforced structured cooperation in defense and security policy or humanitarian intervention.

Re-Envisioning EU Politics and Economic Policy

Re-envisioning the EU as a ‘region-state’ while reforming its decision rules may help solve problems related to what the EU is, how far it should expand, and even what it should do in the world, all of which may help it govern more effectively *for* the people. But this does little for governance *by, of,* or even *with* the people, all of which are important with regard to empowering EU citizens. These political, democracy-related issues in turn have implications for governance *for* the people, in particular with regard to what the EU should do in its member-states in the socio-economic sphere. And for all of this, we need to consider further democratizing reforms, none of which are easy. This is because the ways we normally think about democratizing nation-states are not open to this region-state, at least for the moment. A duly elected president and a fully empowered parliament are not on the agenda, given the lack of a sense of European collective identity and will. Moreover, increasing the power of EU level institutions could only further increase citizens’ sense of powerlessness unless we find ways to increase their input into national as well as EU level decision-making and respond to their concerns about the EU’s impact on national labor and social policy. And this, above all, requires more politicizing and pluralizing of the EU.

Toward new EU politics?

There have been many proposals for political reform, too many to list let alone to go into detail here (for one, see Hix 2008). Most such proposals focus on increasing *representative politics*, or

governance *by* and *of* the people at the EU level. Whereas some in the past, including myself, expressed concern about the effect of politicization on governing effectiveness *for* the people (e.g., Majone 1998; Scharpf 2003; Schmidt 2006), politicization need not be seen as all negative. In the current era of increasing mistrust of the EU—topped only by distrust of national governments, as Eurobarometer polls make clear year after year—some politicization could be seen as the solution rather than the problem. In any case, it will be increasingly hard to avoid, given the awakening of the ‘sleeping giant’ of cross-cutting cleavages in member-states, with the rise of splits between pro-Europeans and Euroskeptics in mainstream parties of the right and the left (van der Eijk, and Franklin 2004), and the likelihood of much more hotly contested, politicized EP elections than in the past, even if they remain second-order elections. Once the Lisbon (or equivalent) Treaty comes into force, politicization is likely to go farther, given the election by the European Parliament of the Commission President. This could engender political campaigns across Europe in EP elections, with primaries organized by the major EU political parties across Europe. All of this could be a good thing for democracy if EU-wide political parties become stronger, if they produce platforms with ideas on policy and polity issues that resonate with citizens, and if this in turn produces real debates across the EU about what it should do. Moreover, all such politicization could also contribute to the perception of increasing legitimacy of the EP as representative *of* the people.

The EP’s increasing legitimacy cannot be based on electoral politics alone, however. It needs to be linked to greater EP input at the beginning stages of policy formulation. Reforms here could involve linking relevant EP members and committees to the Commission’s expert committees in the comitology process. Even without this, however, the Commission could lay out the political dimensions of its policy initiatives, rather than presenting them as purely technical, while the European Parliament could do more to debate the issues (Magnette 2003). In addition, the EP could be more fully connected to national parliaments—and needs to be, way beyond the provisions in the Lisbon Treaty. This may be the only way to ensure greater national parliamentary engagement with EU issues, beyond the few that become topics of Europe-wide controversy, such as the services directive.

Another remedy to EU legitimacy problems would be through more *pluralist politics*. This is a national task as much as an EU level one. At the national level, political leaders’ discourse should make it clear to national publics that national governments are not the only voices which can speak for national interests and values, but that citizens can and should have more direct input into supranational decision-making—as a way of circumventing the ‘expertocracy’ that in Brussels as well as in national capitals increasingly speaks in place of ‘the people.’ In addition to informing citizens of the pluralist nature of EU governance *with* the people, they need to help citizens to organize themselves so as to gain access and influence in European decision-making—providing funding, information, and strategic advice—as opposed to trying to avoid citizen involvement. Moreover, they need to put procedures into place to enable citizens to participate in the national formulation processes focused on EU decision-making. All of this would also afford the already activist citizens and social movements better access and input at both EU and national levels.

The EU could also do more to bring citizens in. It already has a range of mechanisms for group citizen access at the EU level, although expertocracy is indeed a problem. Some of the rules of trans-national membership for EU funding of eligible groups, moreover, are problematic for public interest groups that tend to be organized nationally. In addition, the EU could do much more to facilitate cross-border citizen initiatives, as a supra-national ‘community organizer,’ as it did with the Bologna process.

At the national level, the EU’s open method of coordination (OMC) also has great potential with regard to bringing citizens into EU-related adjustment processes. In addition to the economic focus on flexibility and employability of the EES (European Employment Strategy) is the social concern with inclusiveness and poverty alleviation in the Social Inclusion OMC. Until

now, however, the OMC's potential has not been realized. It remains mainly government exercises (Zeitlin and Pochet 2005).

Toward new EU economic policies?

Finding ways to politicize and pluralize the EU can work only if the EU does more with regard to policy initiatives that address the socio-economic concerns of the citizens, in particular at this time of economic crisis. But what to do and how to address such concerns is not easy, given not only EU decision rules (on unanimity and uniformity) that make for difficulties in reaching collective agreement on such issues, but also EU ground rules that focus responsibility for social solidarity on member-states alone.

While EU engagement in economic market-making has gone way beyond the agreements in the Treaties, EU engagement in socio-economic market-correction has fallen short. The 'negative integration' that follows from the Treaties makes market creation relatively easy for the EU Commission and European Court of Justice. 'Positive integration' is much more difficult, since market correction demands agreement from the member-states—which the decision rules of the EU render near to impossible in the social policy arena in particular, given the differences among welfare states (Scharpf 1999). The problems related to negative integration have been made worse in recent years by the increasingly single-minded—we could even say ideological—focus on market integration to the exclusion of other considerations, in particular with regard to the impact on public services—with the Bolkestein directive that was seen to undermine home country rules on pay and social protection—and labor markets—with the Laval and Viking cases that jeopardize union's right to strike ((Höpner and Schäfer 2007). Because of actions in these areas, as well as in services liberalization, the EU is perceived in many countries as reducing social protections and labor rights. The services directive, for example, not only jeopardizes public services generally, it also raises sometimes insurmountable problems for non-profit provision of services. The complicated public tendering requirements make it very difficult for smaller, non-profit local charities to comply, which risks putting them out of business, thereby reducing social capital in local communities (Baroness Barker, spokesperson on health for the Liberal Democrats in the House of Lords (talk at Harvard Center for European Studies, Oct. 3, 2008).

Of equal concern are ECJ judgments on education that undermine national tax-based social solidarity by invoking freedom of movement to allow students from other European member-states to displace country nationals (e.g., the case of German medical students in Austria) and on labor markets that limit labor union rights to strike against what they see as unfair wage competition from cross-border firms (the Viking and Laval cases in Scandinavia—see Reich 2008). The problem is that member-states have no real recourse here, given the independence of the ECJ and the impossibility of getting the Council to overturn such judgments. On these issues, one wonders why the member-states don't 'just say no,' to challenge the court judgment (Scharpf 2009). Instead, member-states appear to have been negotiating compromises with the courts or seeking to create national legislation to get around the problem. If they can do this without undermining the national social fabric, so much the better. But should they have to do this? And what impact on national perceptions of EU legitimacy?

In addition to imposing a moratorium on social policy related areas of negative integration, more positive integration is clearly needed, especially given the pending economic crisis. Here, I offer just a few ideas, some of which were floated already a number of years ago. For example, in light of the EU's clear need and desire to promote freedom of movement of workers and the unfeasibility of create a uniform EU minimum wage, why not institute an agreement on EU-wide relative standards for wages—related to a percentage of the national median income—and for (subsidized) social assistance (Scharpf 2003). In other areas, we should consider revisiting suggestions floated a number of years ago intended to increase EU-wide social

solidarity, such replacing the Common Agricultural Policy with a negative income tax for the poor (Schmitter 2000). Alternatively, in particular since any serious reform of the CAP is years away, why not set up a social assistance fund by collecting, say, five euros per citizen through nationally-based income tax. Let's call it the European solidarity tax (to build citizens' sense of EU identity), and use it to replenish the Globalization Adjustment Fund in order to deal with the certain rise in unemployment and inequalities resulting from today's global economic crisis. In this context, moreover, why not create a 'rapid reaction force' to help countries deal with their social problems, in particular the poorer regions without the administrative capacity or resources to do it themselves.

Finally, we definitely need some means of funding a financial lending institution of last resort that could be an alternative to the IMF, to bail out EU member-states in dire macroeconomic straits. One of the most disappointing aspects of the European response to the economic crisis is that the member-states retained the principle of 'every man for himself' with regard to weathering the storm. It made sense that the member-states refused to create a bailout for the East European countries alone in response to the *cri de coeur* of the Hungarian Prime Minister against the creation of a new economic iron curtain. But it does not make sense for the EU to leave it to the IMF to bail out its East European members, especially since the IMF conditions of one-size-fits-all, with budgetary austerity and other measures, are the opposite of what these countries need. In a situation in which the failure of East European banks will have boomerang effects on West European ones—we need cite only Austrian and Swedish banks—and that the slow down in East Europe will have spillover effects in Western Europe given the interconnectedness of the economies, the answer is to have a European equivalent of the IMF. An EMF would be able to tailor its responses much more closely to European issues, and it is needed not only by East European countries but also by West European ones, given talks of the dangers of insolvency for Italy, Portugal, Greece, and Ireland, possibly even Spain, along with EU neighbors like the Ukraine. The EMF need not replace the IMF but act in concert with it, as another source of funding with a different set of objectives, that would be better tailored to the economic needs and realities of EU member-states. The creation of an EMF would also help build greater solidarity and reduce distrust among member-states at a time where this is most needed.

Conclusion

Europe, like the rest of the world, is in for hard times economically. The EU, which is already suffering politically from a legitimacy deficit, needs to do more to win back hearts and minds. One way is through the EU acting as a global strategic actor on initiatives *for* the people with regard to financial markets, climate change, terrorism, and so forth. But the more everyday Single Market policies themselves need rethinking, in particular the pursuit of 'negative integration' when this undermines areas at the very core of national citizenship and social solidarity, and thereby risks further alienating the public and delegitimizing the EU itself. Any such re-envisioning of the EU's socio-economic policy, however, needs to be done in concert *with* the people, and *by* the representatives *of* the people at both national and EU level through politically informed debates and deliberation. This in turn requires re-envisioning the EU's political decision-making processes in such ways as to increase democratic access to decision-making at the EU and national levels. In addition to the political and economic reforms, however, are changes in the EU's decision rules regarding unanimity and uniformity, which also require re-envisioning of the EU's identity in terms of a region-state. Is any of this likely at this time of crisis? With a little imagination, anything is possible. And I need not remind the reader that it has been at times of crisis that a newer, more effective and more legitimate EU has time and again been re-envisioned and regenerated.

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