

FURTHER EU-ROPEAN INTEGRATION:

An exclusive political club or a two-speed economic union?

Week 10: Challenges to EU Politics and Governance
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Summary

- The aim of this session is
 - 1) to explore what political union is and
 - 2) 2) what decisive moves towards it (might) mean for the EU.
- *Political union*: A larger and consolidated group of states that share a joint government that is internationally acknowledged (Corbett, 1992)
- But no clear definition among policy makers (see [Merkel v Juncker](#))



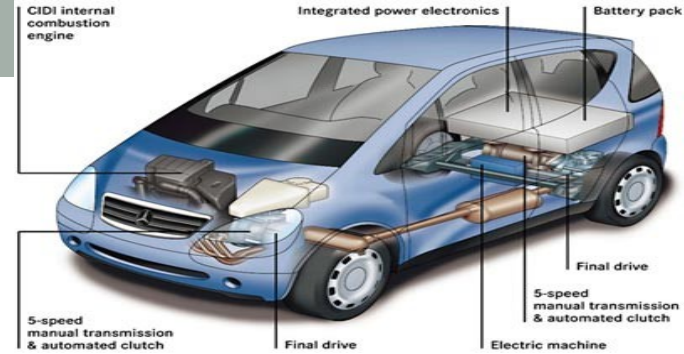
Let's take a look back...



- Political Union is not a new idea
- The EU's founding fathers envisaged “*A United States of Europe*” with a central federal government.
- Treaty of Rome
 - Focused overwhelmingly on economic co-operation, but it also set out a wider political vision for an “ever closer union among the peoples of Europe”, to 'eliminate the barriers which divide Europe'.
(Preamble to the 1957 Treaty of Rome and in most later treaties.)

But in fact today...

- The EU is a hybrid (Hix and Hoyland, 2011) - somewhere between:
 - an international organization (like the UN) where constituent states are main decision-makers and
 - a federal system.
- Until recently even Eurosceptics did not object to the “ever closer” aspiration.
- Some governments have expressed scepticism about the goal.
 - In 2013 the Dutch government declared that “the time of ‘ever closer union’ in every possible policy area is behind us”.
- In June 2014 the European Council **formally said that the concept embraced different paths of integration for different countries**, “allowing those that want to deepen integration to move ahead, while respecting the wish of those who do not want to deepen any further.”



What existing structures provide the embryo of a federal state?

- European Commission – Commissioner from each MS and a bureaucracy of over 20, 000 people = would-be executive branch of a federal government?
- EP = lower house and the Council of Ministers (comprised of ministers from each MS government) = future senate?
- The ECJ can already overrule national courts – a federal court?
- The Commission President – indirectly elected by the EP – a sort of PM?

The basis for federalist theory (Burgess, 2000)




But in reality, doesn't all real power lie with the MSs?



- The President of the European Council – an institution which consists of MS leaders
- Commission only proposes legislation, it has to be approved by the EP and the Council of Ministers
- Most important decisions are taken collectively by MS leaders in European Council
- MEPs elected on a national basis as members of national political parties
- Within the EP, these MEPs align into loose political groups, but these groups lack clear programmes of their own.
- The EP has gained increasing power, but most European voters do not know who their MEPs are, or understand how the EP or the EU in general work (Eurobarometer, 83)

Intergovernmentalist theory (Morvacsik, 1993)



“You might say that while the EU is to some extent politically integrated, the integrated parts (such as the European Commission and the ECB) are not very political, and the political parts (such as the European Council and the EP) are not very integrated”. (*Padoan, 2015*)

Has the EU reached such a level of economic integration that political integration can no longer be seen as optional?

- Based on spill-over (Haas, 1967)
- Single Market = highly integrated
- A common trade policy
- A common currency (for 19 euro-zone MSs)
- Does that mean it is impossible to keep fiscal policies, tax issues, social standards etc. off the table?



But then...

- Existential question of the state, or whether a state should exist at all?
- **Barroso 2012:** EU to be turned into a "federation of nation states" in a sweeping demand for countries to surrender more sovereignty and move towards full integration".



**WHAT WOULD FUTURE
“POLITICAL UNION” LOOK
LIKE?**

What has actually happened towards political union in the last few years?

- The euro crisis has led to a considerable transfer of power to the EU level and made political union a real possibility.
 - The European Semester” established in 2010
 - The “Euro Plus Pact” of 2011
 - “The Six-Pack” of 2011
 - The “Two-Pack” of 2012
 - The “Treaty on Stability, Coordination and Governance in the Economic and Monetary Union” of 2012
 - Access to Eurozone's rescue mechanisms (the European Financial Stability Facility (EFSF) and its successor, the European Stability Mechanism (ESM))

Plans for more to come:

- Plans for economic, fiscal and banking union.
- Integrated Financial Framework
- Integrated Budgetary
- Integrated Economic Policy Framework

Despite this shift of power to the EU level, the EU's political and democratic structures have remained almost completely unchanged.

Problems with further political union

Problem one: Conflict about taxation and representation have been central to political life in the modern state. European leaders might end up sitting at the top of an economic federation without the political structures that would democratically legitimize it.

Problem two: Political union rests on the principle of burden sharing. Can workable burden-sharing arrangements work in the current context?



Continued...

- While many pro-European agree that political union is necessary, there is little agreement about what this political union might look like.
- It is not just a simple choice between intergovernmentalism and federalism – European leaders need to decide whether to legitimize political union through national governments and parliaments or through developing existing EU institutions such as the EP or create new institutions.

THERE ARE THREE MAIN
CHOICES WHEN
CONSIDERING WHAT
POLITICAL UNION MIGHT
LOOK LIKE.

Choice 1

- A limited economic federation aimed at stabilizing the euro OR a full economic federation taking on traditional nation-state tasks such as taxation, social welfare and redistribution. **LIMITED VERSUS FULL ECONOMIC FEDERALISM**
 - MSs only transfer to EU level those powers strictly necessary to end the crisis and prevent break up of currency union or
 - Complete monetary union by creating a full banking, fiscal and economic union and set up new, strengthened and centralized governance structures

Choice 2

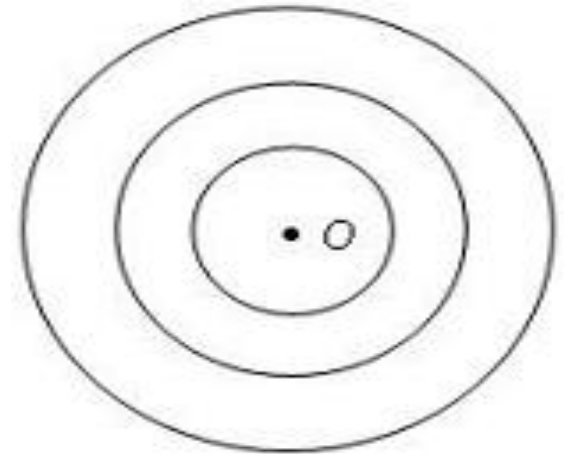
- A rules based federation with a very small margin for policy innovation and flexibility OR one with ample discretionary powers and policy instruments. **RULES VERSUS DISCRETION**
 - A Europe in which the centre sets some binding rules that prevent national and sub-national governments from adopting certain policies OR a government that is able to take discretionary decisions on economic policy issues

Choice 3

- A political system that relies on indirect legitimacy and is governed mostly through intergovernmental mechanisms OR one that draws on direct legitimacy and confers ample executive authority to supranational institutions such as the European Commission. **DIRECT VERSUS INDIRECT LEGITIMATION**
 - MSs are the ultimate repositories of legitimacy and democracy. The transfer of sovereignty implied by political union would require parallel upgrading and strengthening of presence of MSs in the EU decision-making process OR strengthen the policy capacity and democratic legitimacy of existing European institutions, especially the EP and Commission (replicate at EU level the national system of government and opposition).

Possible consequence of political union?

- Moves towards a political union may create a three-tier Europe:
 - Core – highly integrated
 - Second tier – including those groups who want to join the first group but cannot
 - Third tier – those groups who do not want to join the core



THE SEMINAR

Seminar questions:

- What is the problem that political union is thought to be able to solve?
- What are the main objections to political union?
- Does David Cameron object to political union and if so why?
- Why might some people go as far as to “fear” political union?
- What did political union mean for Winston Churchill?

Balassa, 1962: stage-based model of economic integration

- **Free Trade Area.** A free trade area removes tariffs on goods moving between member countries
- **Customs union.** A customs union surrounds a free trade area with common customs protections, notably common tariffs.
- **Common market.** A common market extends free movement to capital, labour and services.
- **Economic union.** Economic and social policies are harmonized throughout the member states.
- **Economic federalism.** Characterized by a common currency and common monetary and fiscal policies.
- **Political union.** Essentially, a federal state with an internal and external security apparatus.

Seminar questions cont.

- Has Balassa's 1962 theory of economic integration been a good predictor for political union?

