

# Coming Full Circle: The Euro Crisis, Integration Theory and the Future of the EU

Pier Domenico Tortola 

Europe's woes mark a new chapter in the longstanding theory/history nexus in European studies. The euro crisis has brought integration theory back onto the scholarly agenda and highlighted the value of neo-functionalism – and more precisely its key 'spillover' mechanism – as a framework for interpreting current politico-institutional dynamics in the European Union. We are, however, at a particular point of the neo-functionalist narration, in which the transition from low to high political integration has opened a phase of political fluidity that makes ideas and political leadership crucial in determining the future course of integration. In this phase, the positive scheme of neo-functionalism and the normative one of federalism come together, bringing the intellectual trajectory begun after WWII to full circle. Whether this new encounter will result in further integration depends primarily on the content of new federalist ideas, the emergence of an effective European leadership, and the presence of a favourable international environment. For all three factors, the record so far has been mixed at best.

**Keywords:** Euro crisis, European integration, neo-functionalism, federalism

After years of living in “uninteresting times”, students of international politics once again have Europe as a hot region to study. The worst phases of the euro crisis may be over, but its social and political ramifications promise to be here to stay for a while. The European Union's (EU) handling of the crisis has generated new rifts between member states, and austerity policies have left deep social scars and fuelled eurosceptic sentiments across the continent. All things considered, the future of European integration looks quite uncertain.

Along with Europe's instability has come a revival of regional integration theory. After being marginalised by the post-Maastricht 'domestic turn' in EU studies, integration theory is now increasingly employed by scholars and analysts to explain

---

*Pier Domenico Tortola* is a Research Fellow at the Turin-based Centro Studi sul Federalismo (CSF). Email: [tortola@csfederalismo.it](mailto:tortola@csfederalismo.it). The author is grateful to Francesco Giumelli and three reviewers for their comments and suggestions.

the unfolding of the euro crisis and reflect on its consequences. In this debate, it is neo-functionalism – one of the earliest theories of integration – that seems to have the upper hand, as its core ‘spillover’ mechanism is both a simple and a powerful tool for interpreting current political dynamics in the EU.

Ironically, however, the explanatory value of neo-functionalism also implies its limits. The euro crisis marked an unambiguous passage in the integration process from ‘low’ to ‘high politics’, which weakens the structural drivers of integration and exalts the role of ideas and leadership. In this politically fluid phase, the positive logic of neo-functionalism converges with the normative one of European federalism, bringing the intellectual trajectory that started in the post-Second World War years to full circle. Whether this new encounter will lead to further integration in the coming years depends primarily on three key factors: the content of federalist ideas, the emergence of a European leadership to carry them, and the presence of a favourable international environment. Thus far, all three present at best a mixed record.

### Theory and history

By and large, the theory of regional integration has always had the European experience as its sole empirical referent – the oft-cited ‘n=1 problem’. Thus it is not surprising that the evolution of this discipline has, from the outset, followed developments on the ground quite closely. The history of European integration theory is well known, so only a summary is in order here.<sup>1</sup>

### *The classical approaches*

Integration theory conventionally begins with federalism, a school with a long tradition but which acquired particular prominence in Europe in the version proposed by Italian intellectuals Altiero Spinelli and Ernesto Rossi in their *Ventotene Manifesto*. Published as WWII entered its final phases, the *Manifesto* identified the European nation states as the main ones to blame for the misery and devastation of the war because of their innate propensity to oppress and exploit within their boundaries, and to be aggressive and imperialistic outside. Spinelli and Rossi responded by proposing the establishment of a Europe-wide federation as a way to prevent future conflicts and promote equitable development while respecting national diversity and autonomy.<sup>2</sup>

Less a theory in the social science meaning of the word than a political programme, federalism nonetheless contained at least two important assumptions

---

<sup>1</sup>For detailed accounts, see Rosamond, *Theories of European Integration*, and Wiener and Diez, *European Integration Theory*.

<sup>2</sup>A. Spinelli and E. Rossi, “The Ventotene Manifesto”, [http://www.altierospinelli.org/manifesto/en/manifesto1944en\\_en.html](http://www.altierospinelli.org/manifesto/en/manifesto1944en_en.html).

about the working of international politics. The first was explicit and institutional in nature: states, Spinelli and Rossi argued, are naturally jealous of their power. Federalists should therefore seize the opportunity presented by the collapse of political institutions throughout Europe after the war to push for federation before the old national elites, helped by the occupying powers, have the chance to reconstruct state structures. The second was ideational and implied by the very existence of the *Manifesto*, which testified to its authors' faith in the transformative potential of their ideas, in particular among intellectuals and workers, who were seen as the vanguards of the "federal revolution".<sup>3</sup>

Federalism was eventually defeated in both respects. As feared by Spinelli and Rossi, and demonstrated by the 1954 failure of the European Defence Community, the reconstructed European states were not too keen on the idea of giving up their sovereignty to a supranational federation. Instead, European governments opted for the sectoral road to integration put forward by Jean Monnet and French Foreign Minister Robert Schuman, which resulted in the founding of the European Coal and Steel Community in 1951, followed by the 1957 Rome Treaties establishing the European Economic Community and the European Atomic Energy Community.

While not as radical a project as outright federation, the European Communities (EC) were still notable enough to attract the attention of many scholars of international politics. Among them was a group of US-based academics – most notably Ernst Haas, Leon Lindberg and Philippe Schmitter – who translated the 'Monnet method' of integration into a brand new theory, called neo-functionalism. Neo-functionalism saw supranational integration as a gradual process beginning in 'low politics' sectors, namely technical areas in which common rules are advocated by socioeconomic actors to facilitate transnational exchanges and interactions. Once started, integration expands to additional sectors driven primarily by a spillover mechanism, whereby the intensification of interactions in one area favoured by common rules generates new problems of coordination in adjacent 'functions', which are in turn solved through more integration. Pushed also by supranational institutions (above all the EC Commission), the spillover would eventually reach 'high politics' sectors, that is more sensitive areas in which integration is no longer likely to be a win-win game. To the extent that these areas are integrated, neo-functionalists argued, patterns of political loyalty and conflict would also move to the supranational level, ultimately creating a truly European political system.<sup>4</sup>

This optimistic vision of neo-functionalism soon came to clash with the reality on the ground, and in particular with the conflict that broke out in the mid-1960s between De Gaulle's France and the Commission, and its solution through the 1966 'Luxembourg compromise', which gave the states veto rights over Community decisions. Neo-functionalists' greatest critics were realist scholars, headed by Stanley

---

<sup>3</sup>*Ibid.*

<sup>4</sup>Haas, *The Uniting of Europe*; Schmitter, "Three Neo-Functional Hypotheses".

Hoffman, who pointed at these events as the demonstration of the nation state's continued pre-eminence in European affairs, and of the Communities' nature as mere instruments at its service.<sup>5</sup> The dualism between 'intergovernmentalism' (as the statist position came to be known) and neo-functionalism structured most of the integration debate for the following two decades, helped by a period of political 'eurosclerosis' that hindered the emergence of novel perspectives.

### ***Maastricht and the domestic turn in EU studies***

It was only with the reviving of European integration, beginning with the 1986 Single European Act and culminating in the 1992 Maastricht Treaty, that the scholarly debate took on new vigour. Roughly, new theorising followed two tracks: on the one hand, the debate between neo-functionalism and intergovernmentalism was refreshed, with the former morphing into the 'supranationalist' research programme,<sup>6</sup> and the latter mostly absorbed by Andrew Moravcsik's liberal intergovernmentalism, a two-part framework combining a state-centric view of European institutions with a liberal theory of foreign policy as domestically determined.<sup>7</sup>

On the other hand, starting in the early 1990s, many scholars began to shift their focus from the causes and process of integration to the study of the Union's politics and policymaking, motivated by the view that Maastricht had made the EU more akin to a proper polity than an international organisation. An intermediate position in this analytical transition was taken by neo-institutionalists, who stressed the autonomous influence of supranational institutions on the transformations as well as on the functioning of the EU.<sup>8</sup>

Others went all the way, gradually consolidating a 'domestic turn' that came to dominate European studies in the 2000s. Perhaps the main distinction within this new and diverse wave of theorising relates to the degree to which the Union is seen as a 'normal' political system – hence transcending the  $n=1$  problem – or, conversely, is still treated as a *sui generis* entity. In the former camp are scholars like Simon Hix, who study the Union through the concepts and methods of mainstream comparative politics.<sup>9</sup> Close to the opposite end are 'multi-level governance' scholars, who have coined this new term to describe the nature of the beast.<sup>10</sup> Somewhere in between, finally, is the Europeanisation research programme, which turns the logic of integration on its head to analyse the mechanisms of EU-induced domestic institutional change.<sup>11</sup>

---

<sup>5</sup>Hoffmann, "Obstinate or Obsolete?"

<sup>6</sup>Sandholtz and Stone Sweet, *Supranational Governance*.

<sup>7</sup>Moravcsik, "Preferences and Power" and *The Choice for Europe*.

<sup>8</sup>Two examples of historically and rationally oriented institutionalism, respectively, are Pierson, "The Path to European Integration", and Pollack, "Agenda Setting in the European Community".

<sup>9</sup>Hix, *Political System*.

<sup>10</sup>For instance Hooghe and Marks, *Multi-Level Governance*.

<sup>11</sup>Börzel and Risse, "When Europe Hits Home"; Featherstone and Radaelli, *The Politics of Europeanization*.

### **Closing the circle**

The euro crisis has brought integration theory back to the top of the scholarly agenda. The realistic risk of a collapse of the monetary union, the political rifts opened by the EU's handling of the crisis – between member states as well as between austerity-hit societies and governing institutions – and, more recently, the challenge of eurosceptic populism, have all raised new existential questions about the Union. Such questions in turn call for renewed engagement with the categories and ideas of integration theory. This is demonstrated by a lively academic debate that has not only revived a number of established schools,<sup>12</sup> but also led to the formulation of new theoretical constructs – such as “new intergovernmentalism” or “neo-medievalism” – to make sense of the consequences of the crisis.<sup>13</sup>

### **Neo-functionalism redux**

The playing field of this return to integration theory, however, does not seem completely level. Irrespective of where one stands analytically, the crisis has highlighted the value of the traditional neo-functionalist notion of spillover as a simple and powerful tool for the analysis of current European affairs. Explaining as complex a phenomenon as the crisis of the eurozone necessarily involves many factors and causal chains.<sup>14</sup> Most analysts, however, agree that a key role in the transmission of economic turmoil from the United States to Europe was played by the asymmetric setup of the European Monetary Union (EMU), which deprived member states of their monetary autonomy without building compensatory mechanisms in the fiscal and banking sectors that could have allowed euro countries to avert the crisis or at least mitigate its effects. For one thing, the euro was not coupled with a common borrowing capacity for sharing fiscal risks among states and protecting them from speculative attacks. For another, and more generally, the EMU was not provided with an adequately sized common budget and transfer mechanisms to compensate for different growth rates between euro economies in the long run, and to absorb asymmetric shocks in the short run. Finally, the euro area banking systems were not inserted in the kind of common regulatory and resolution framework needed to break the vicious circle between banking and debt crises of the sort that materialised in Ireland and Spain.

Saying that the crisis was caused (also) by the eurozone's institutional asymmetries is another way of stating the spillover's central idea, namely that acts

---

<sup>12</sup>For example Lefkofridi and Schmitter, “Transcending or Descending?”; Moravcsik, “Europe after the Crisis”; Schimmelfennig, “The Limits of Postfunctionalism”; Schmitter, “A Way Forward?”; Vilpišauskas, “Eurozone Crisis”; Webber, “Competing Theoretical Perspectives”.

<sup>13</sup>See respectively, Bickerton, Hodson and Puetter, “The New Intergovernmentalism”, and Zielonka, *Is the EU Doomed?*

<sup>14</sup>Exhaustive accounts of the origins and unfolding of the euro crisis can be found in Lane, “The European Sovereign Debt Crisis”, and Shambaugh, *The Euro's Three Crises*.

of integration in one area (in this case monetary policy) intensify interdependencies among participants to the point of generating inefficiencies and vulnerabilities in adjacent sectors, which in turn need to be solved through additional supranational institutions. All this was, of course, known to the euro's architects, who therefore tried to limit member states' financial exposure and vulnerability by means of a Stability and Growth Pact (SGP) establishing public debt and deficit ceilings. But even if the SGP had been respected by all – including Germany – its minimalist approach would probably not have sufficed to prevent the eurozone's structural problems from accumulating and eventually deflagrating in the crisis.

Like its causes, many of the consequences of the crisis can be interpreted through neo-functionalist lenses. On the one hand, many of the EU's policy responses so far are consistent with the compensatory logic indicated by the spillover mechanism. This is the case, for example, of the European Financial Stability Facility and its successor, the European Stability Mechanism, which set up bailout mechanisms for countries in financial trouble (worth €440 and €700 billion, respectively) backed by all EU members. An analogous logic underlies the European Central Bank's (ECB) Long-Term Refinancing Operation and Outright Monetary Transactions, two lending instruments – the latter yet to be implemented – aimed at, respectively, banks and states in financial distress. Balancing these transfer mechanisms are the so-called 'six-pack', 'two-pack' and Fiscal Compact, all of which are aimed at strengthening the SGP. In the banking sector, a new common regulatory framework is being implemented, with provisions for ECB supervision of eurozone banks and a resolution mechanism worth €55 billion. Finally, the possibility of a European Redemption Fund and the introduction of 'eurobills' are being discussed as a way to mutualise debt among eurozone countries.<sup>15</sup>

On the other hand, however, the crisis has set in motion a number of eurosceptic political forces pushing for the abandonment of the euro and the return to state monetary sovereignty as the only viable solution to the eurozone's problems. For the most part, these forces can be read from a neo-functionalist perspective as the spillover's flip side, that is the idea that the vulnerabilities generated by the euro should not be solved by integrating more but rather by disintegrating the monetary area itself, so as to eliminate the problem at its root. In this sense, the solutions put forward by eurosceptics are not too different from what Schmitter identified, already in 1970, as the possibility of "spill-back" in the integration process.<sup>16</sup>

<sup>15</sup>In "Transcending or Descending?" Lefkofridi and Schmitter sketch a more diversified account of some of these measures which interprets, for instance, the ECB's expanded role as a case of 'build-up' and the EU's new fiscal measures as cases of 'spill-around' (whereas the ESM is read, oddly, as a case of 'retrenchment'). Suffice it to say here that spillover, build-up, and spill-around are all located in the same quadrant – and therefore belong to the same family of integration strategies – in the graphic analysis presented in Schmitter, "A Revised Theory".

<sup>16</sup>Schmitter, *Ibid.* Note that this interpretation departs partly from Lefkofridi and Schmitter's recent analysis, which sees the rise of eurosceptic populism as something foreign to the neo-functionalist framework. See "Transcending or Descending?".

### ***Into high politics***

Ironically, while the above account validates neo-functionalism, it also shows its limits. The coexistence of political dynamics emanating from the same institutional asymmetries but pulling the EU in opposite directions indicates that neo-functionalism might be, at this point, better at diagnosing the Union's problems than at predicting how they will be solved. A longstanding debate within neo-functionalism concerns the degree to which spillover-driven integration should be seen as a smooth and automatic process culminating in European political unification. Initially criticised for appearing too deterministic, over time neo-functionalism has moved away from that position, inserting elements of political friction and unpredictability in its scheme (such as in Schmitter's above-mentioned revision). One thing all iterations of the theory agree on, however, is that integration is less linear as it gets closer to high politics sectors, in which resistance from state-level groups and institutions becomes greater.<sup>17</sup> Granted, to some extent the line between low and high politics is bound to be fuzzy and even subjective. But the euro crisis has clarified that this line has now been reached fully and unambiguously, and it has done so in two respects.

First, and more simply, the magnitude of the crisis has demonstrated that the eurozone's structural imbalances cannot possibly be solved through technical or politically mild solutions. Building an institutional architecture able to prevent or mitigate future crises will necessarily require bold integration steps on the part of member states going well beyond what has so far been introduced. Such steps are required above all in the fiscal area, through (some combination of) a beefed up EU budget, some form of common levy, redistributive mechanisms (whether individually or territorially based), and proper eurobonds. Transformations of this sort would dramatically decrease member states' autonomy in some of their core functions and increase the "controversiality of joint decision making",<sup>18</sup> ultimately moving the EU towards a federal model.

In another respect, however, the politicisation of European integration has already taken place regardless of states' opinions. Despite the historical centrality of monetary policy in state affairs, for the first decade or so of the EMU a number of factors converged to make the euro function and appear as an essentially technical matter. One was the institutional setup of the ECB, and in particular its emphasis on political independence and its inflation- (rather than employment-) centred monetary policy. Another was the universally beneficial effect of monetary integration, which allowed hard currency countries like Germany to eliminate unfavourable exchange rate variations, and soft currency ones like Italy and Greece to enjoy the low interest rates afforded by the euro's credibility. By breaking this win-win logic, the crisis revealed the common currency's distributive, and therefore deeply

---

<sup>17</sup>E.g. Haas, *The Uniting of Europe*; Schmitter, "Three Neo-Functional Hypotheses".

<sup>18</sup>Schmitter, *Ibid.*, 166.

political, nature to states which suddenly found themselves unable to act unilaterally in this area and in disagreement as to the kind of monetary policy the ECB should carry out.

Read in this light, anti-euro positions across the EU look like the reaction of someone who “did not sign up for this” and wants out so as to regain full control. That the emergency phases of the euro crisis are now over is only partly reassuring in this sense, not only because eurosceptic sentiments remain strong in many countries (as the last European Parliament elections demonstrated), but especially because such positions might easily become mainstream in one or more members states in a context of continued stagnation and austerity. It is this realistic possibility of the integration project moving backwards that makes Europe’s troubles fundamentally different from previous political crises (such as the 2005 constitutional debacle) and the current state of the EU quite unstable – rather than a plateau, as argued by Moravcsik.<sup>19</sup>

### ***Back where we began***

This highly politicised and hence indeterminate phase, combined with the lack of a solid institutional fallback, renders current EU affairs unpredictable for neo-functionalism. With their structural drivers relaxed, the process and politics of European integration are highly fluid at this point in history and, therefore, more likely than ever to be influenced by political agency and contingency. Ideas and political leadership, in particular, will play a key role in channelling the European project in one direction or another: to a great extent, where Europe is headed will depend on the definition of alternative political visions for the continent, their public articulation and their competition in the political arena.

On the pro-EU side, this calls for new attention to the causal role of federalist ideas in the current political phase. More generally, the present juncture produces a convergence between the positive scheme of neo-functionalism and the normative one of federalism that brings the intellectual trajectory started in the postwar years to full circle. The question now is whether this new encounter will be able to steer the EU away from disintegration and towards deeper integration.

### **Whither Europe?**

In the coming years, three factors will be particularly important in determining the chances of a convincing federal vision for Europe being shaped to push the Union towards more integration: the content of federalist ideas, the emergence of an effective European leadership, and the presence of a favourable international environment.

---

<sup>19</sup>Moravcsik, “Europe after the Crisis”.



### **Thickening federal ideas**

One of the limits of contemporary European federalism is that it too often puts forward the *finalité politique* of the ‘United States of Europe’ without a serious reflection on the ultimate goal that such a political construction should serve. Promoting federalism as an end in itself rather than a means to achieve some higher political objective risks not only undermining its ability to resonate with recipients’ worldviews, and hence to mobilise political action, but also scaring people away by emphasizing (albeit involuntarily) the constraining features of federalism at the expense of its purposive aspects.

Postwar federalism was motivated by precise political goals, resulting largely from the circumstances in which it was formulated and stated in such texts as the *Ventotene Manifesto*: in the first place to avoid war in Europe, and by doing so also creating the conditions for freedom and social justice on the continent. Seven decades later, the generations of Europeans who would relate to those original goals on the basis of more or less direct experience with the war are mostly gone. At the same time, the European project is still far from providing new generations of citizens with a ‘taken for granted’ institutional setting, let alone a continent-wide ‘imagined community’. In this historical and institutional limbo, a ‘thin’ version of federalism, concerned more with form than with the point of European unification is a non-starter. To have any hope of success, federal ideas need to be ‘thickened’ by putting the flesh of a clear political mission on the bones of a hypothesized federal structure for the EU.

Thickening European federalism requires working on the memory of Europe’s past and promoting awareness of the political and economic achievements of the integration process. This backward-looking approach, however, must be complemented by a solid, forward-looking justification for continuing to transfer pieces of sovereignty to what Glyn Morgan has called a “European superstate”, whether such justification is framed in terms of security, welfare, solidarity, identity or some combination thereof.<sup>20</sup> Needless to say, political justification also entails, as a corollary, a clearer definition of the European project’s boundaries and the direction and limits of EU enlargement – another question too often eschewed by EU supporters.

Justifying European integration necessitates a new, sustained and continent-wide intellectual mobilisation of the sort recently called for by Maurizio Ferrera.<sup>21</sup> Whatever the ultimate *raison d’être* worked out in such a debate, it has to work for Europe’s political elites as well as its wider societies. The time for integration as a top-down process is long gone. The euro crisis was just the culmination of a

---

<sup>20</sup>Morgan, *The Idea of a European Superstate*. Peter Verovšek has recently combined these two aspects, examining the role of memory of war and totalitarianism as the foundation of a forward-looking collective identity for Europe. See “Memory and Crisis of Leadership”.

<sup>21</sup>Ferrera, “L’Europa in trappola”.

trajectory of increasing awareness of – though not necessarily participation in – EU affairs among European citizens that had been going on at least since Maastricht. In this new context, political parties, in their traditional function of connecting voters and institutions, have a crucial communication role to play.

Pro-EU forces, however, face an uphill discursive battle against eurosceptic populism. The latter has managed to build a powerful narrative of the crisis centred on immediate and easy targets (such as the euro and immigration) and put forward by a number of skilful political leaders. Eurosceptic accounts and recipes have proven increasingly appealing to voters, and particularly to the most vulnerable sectors of European societies – workers, youth, the unemployed – who have seen their lot worsen dramatically in the past few years, and their demands left unanswered by the traditional parties.

The EU's politico-institutional setup has facilitated the growth of populism by decoupling the arenas of politics and policymaking.<sup>22</sup> European citizens find themselves at the receiving end of economic policy choices made in Brussels (if not Berlin) over which they have little or no influence due to the absence or inadequacy of supranational representation channels. Meanwhile, their discontent crystallises and is expressed in the now largely inconsequential national political arenas, which therefore become the perfect breeding ground for all sorts of frustration and resentment against unaccountable eurocrats, subservient national politicians, and foreign governments. In such a context, replacing simplifications and stereotypes with a persuasive argument about why, ultimately, Europeans should stick together, is not easy. It is, however, a necessary precondition for any significant step towards further integration to be politically – and electorally – viable.

### ***(Re)building European leadership***

To produce tangible results, ideas have to be activated and implemented by political leaders. Historically, leadership in the integration process has come from two sources: member state governments and common institutions. Of the latter, the European Commission, and in particular its presidency, has traditionally been in the best position to indicate the way forward for the European project and build political support among institutional and societal actors. Jacques Delors (1985–95) was the last Commission president to exercise such leadership to its full potential by giving impulse to, among other things, the expansion of the EU's structural policy, the construction of the single market and the creation of the euro. Delors' successors – Jacques Santer, Romano Prodi and José Barroso – have all lacked his vision and activism, whether due to personal characteristics or to the different political circumstances in which they found themselves. For integration to move forward in the years to come, such European leadership will need to be restored.

---

<sup>22</sup>Schmidt, *Democracy in Europe*.

The new Commission president, Jean-Claude Juncker, is known less as a man of charisma than a veteran backroom deal-broker. Plus, the fact that he comes from tiny Luxembourg is seen by many as detracting from his clout. On the other hand, these very characteristics could just as well be regarded as advantages: his long experience in European institutions can come in handy for setting realistic policy agendas for the Union, and his nationality could facilitate his diplomatic work by placing him in a position of neutrality among the big member states.

What is more important here is that Juncker is the first Commission president who can claim some measure of direct democratic legitimation. His appointment came on the back of a new ‘*Spitzenkandidaten*’ procedure introduced by the major European parties to reinforce the link between European Parliament (EP) elections and the formation of the Commission established by the Lisbon Treaty.<sup>23</sup> As the candidate of a grouping – the European People’s Party – that won only a plurality in the May 2014 elections, Juncker’s popular mandate is, admittedly, not the strongest. Even so, his position does afford him a certain, and definitely unprecedented, amount of electoral political capital. Whether he will be able to turn such capital into integration leadership remains to be seen. His recently revealed, and much anticipated, flagship investment plan has left many disappointed for its paucity with respect to Europe’s needs – or, alternatively, exasperated by its mostly unwarranted optimism.<sup>24</sup>

To a great extent, however, the significance of Juncker’s election goes beyond his presidential term. The outcome of the *Spitzenkandidaten* process established the principle that it is the EP, not the Council, that decides on the name of the Commission president, which in turn gives voters a much greater say on the matter. This precedent can play an important role in raising the profile of future European election and presidential candidates, ultimately increasing the Commission’s weight *vis-à-vis* the member states.<sup>25</sup> It is often noted that the EU’s transformations following the crisis have strengthened the intergovernmental side of the Union (most notably the European Council) at the expenses of the supranational side.<sup>26</sup> The Fiscal Compact and the ESM, placed entirely outside the framework of the Community method, are cases in point. To be sure, these arguments often underestimate the Commission’s room for manoeuvre even as a mere enforcer of

---

<sup>23</sup>Following the May 2014 EP elections, won by the European People’s Party (EPP), Juncker was nominated by the European Council in its 26/27 June meeting – for the first time by a majority, with only the UK and Hungary voting against – and elected on 15 July by a parliamentary coalition including the Party of European Socialists (PES). Juncker’s election was part of a wider deal between the EPP and the PES whereby, among other things, the socialist presidential candidate Martin Schulz was re-elected as EP president, and Donald Tusk (EPP) and Federica Mogherini (PES) were appointed, respectively, President of the European Council and High Representative for Foreign Affairs and Security Policy.

<sup>24</sup>V. Pop, “Juncker’s plan: Making €60bn worth five times more”, *EUobserver*, 25 November 2014, <http://euobserver.com/economic/126661>.

<sup>25</sup>Tortola, *A Response to Grabbe and Lehne*.

<sup>26</sup>For instance Bickerton, Hodson and Puetter, “The New Intergovernmentalism”, and Fabbrini, “Intergovernmentalism and Its Limits”.

common rules – as shown most recently by its budgetary leniency towards France and Italy. But on the whole it is correct to say that the Commission has been mostly sidelined in the EU's responses to the crisis. Moving it a bit closer to the model of a traditional executive in terms of its political dynamics and standing might help the Commission acquire greater influence in the current economic governance architecture of the Union and its future developments.

### ***The presence of a favourable environment***

In addition to vision, deeper integration needs a favourable political environment. In the EU setting, in which 'constitutional' changes are still introduced by treaty, the political environment is defined primarily in terms of states' readiness – or lack thereof – to pool additional pieces of sovereignty. Formally speaking, all 28 member states are equal in this respect. In the current political landscape, however, two of them are key to Europe's prospects: Germany and Britain.

Over the past decade or so, Germany has become unquestionably the economic and political engine of the European Union. This position was further reinforced by the euro crisis, from which Germans have come out relatively unscathed and in a leading role in the troika's bail-out operations. Yet the crisis has also revealed the limits of this leadership. The German obsession with fiscal discipline and austerity as recipes for the eurozone's peripheral economies has widely come across as the fixation of a selfish master, preoccupied with teaching profligate southerners a lesson to the point of fuelling a continent-wide recessive spiral that has hardly benefited anybody (arguably not even Germany itself). Pictures of Angela Merkel sporting a Hitler moustache displayed in the streets of Athens were just the most disturbing manifestation of this new perception of Germany abroad; a perception which could not contrast more with the image of the country that held until recently as Europe's guilt-ridden benefactor.

Neither Germany's old nor its new stance are likely to be sustainable for the eurozone and the EU as a whole. The former is bound to trigger resentment in Germany itself, as well as other 'virtuous' member states whose governments and taxpayers will feel they are being free ridden on. The latter will eventually bring 'peripheral' states to question the point of being in a partnership from which they tend to lose. Deeper integration can only rest, instead, on a farsighted type of leadership, which combines a focus on much needed structural reforms around the continent with the willingness to (be first in line to) produce the public goods required for the functioning of the European economic system, above all the provision of lending and export markets of last resort.<sup>27</sup>

---

<sup>27</sup>The most lucid application of this 'hegemonic' perspective on the case of Germany can be found in M. Matthijs and M. Blyth, "Why Only Germany Can Fix the Euro: Reading Kindleberger in Berlin." *Foreign Affairs*, 17 November 2011, <http://www.foreignaffairs.com/articles/136685/matthijs-matthijs-and-mark-blyth/why-only-germany-can-fix-the-euro>.

Whether Germany can turn into such a 'benevolent hegemon' will depend to a large extent on its domestic politics. The country's conservative establishment seems divided, roughly, between a hawkish and technocratically-minded part, represented by the Bundesbank and its president Jens Weidmann, and a more pragmatic side, embodied by Chancellor Angela Merkel, that is occasionally ready to soften its position – though not by much – based on considerations of (international) politics. Developments in the past couple of years have added complexity to this picture. On the one hand, the 2013 elections shifted the country's political centre of gravity towards the left, bringing the more growth-oriented SPD to join Merkel's CDU in a grand coalition government. On the other, Germany has lately been experiencing its own brand of euroscepticism in the form of the new *Alternative für Deutschland* party.

On the economic front, finally, in recent months Germany has undergone a slowdown that does not bode too well for Europe, and casts some doubt on the robustness of its economic recipes. The contradictory nature of all these factors is reflected in Germany's most recent policy stance vis-à-vis the eurozone, which has made some concessions in terms of budgetary flexibility but has done so, as Vivien Schmidt notes, mostly "by stealth", that is never openly questioning the EU's ordo-liberal regulatory setup.<sup>28</sup> A truly paradigmatic change in Germany's European policy is, for now, still not in sight.

If Germany needs to decide what sort of leader it wants to be, Britain will probably need to decide what kind of relationship it wants to have with the rest of the EU. Since its accession in 1973, the UK has had an ambivalent attitude towards the integration process, and often a troubled relationship with the other large members of the EC/EU. Physically detached from the rest of the continent, particularly jealous of its sovereignty and traditionally close to the US, the UK has time and again obstructed attempts to push the European project beyond a mere free trade area. Its opt-out from the euro and (until 1997) the Maastricht Treaty's social chapter, its battles against the dreaded 'f-word' in the 2002–03 Convention, and its recent refusal to join the Fiscal Compact are just some of the most famous episodes of what one could term Britain's 'structural euroscepticism'.

In a scenario of deepened integration, Britain's exceptionalism within the EU would become more and more problematic. For one thing, it would raise a number of issues concerning the distribution of rights and duties in the polity – would British MEPs vote on, say, fiscal provisions that might not apply to citizens of their country? For another, it would multiply the costs and problems of running such an asymmetric system. It is easy to see how all this might generate frictions

---

<sup>28</sup>V. A. Schmidt, "Saving Social Europe: Going Beyond the EU's 'Governing by the Rules and Ruling by the Numbers'". *Social Europe Journal*, 4 December 2014, <http://www.social-europe.eu/2014/12/social-europe-3>.

and inefficiencies within the Union to the point of undermining its economic performance and political cohesion.

Should the eurozone take further steps towards integration, the UK will therefore probably face a decision whether to follow (and maybe even rethink some of its opt-outs) or substantially scale down its EU involvement – a dilemma that Britain will share in part with other non-euro members, starting with Denmark.<sup>29</sup> The former option is practically impossible, as it is opposed by all across the UK's political spectrum. The latter, conversely, seems more and more likely. In January 2013, Prime Minister David Cameron pledged to first renegotiate and then organise a referendum on Britain's EU membership in case of a conservative victory in the 2015 general elections. While Labour remains on the fence on this issue, the recent rise in popularity of the anti-EU UK Independence Party (UKIP) makes some redefinition of Britain's place in the Union quite probable even in the absence of treaty changes. It is by no means impossible that this redefinition could take the form of a British exit from the Union in favour of some economic agreement of the sort applied to other EU neighbours. Such an outcome would amount to a defeat in any Europhile's book. It would, however, also clarify Britain's position on the notion of an 'ever closer union' embedded in the treaties.

## Conclusion

In 1970, Ernst Haas wrote that spillovers work better when "mediated by a group of actors with overt or tacit federalist objectives".<sup>30</sup> Haas' words show that a certain affinity between neo-functionalism and federalism has existed all along. At this juncture in Europe's history, however, the relationship between the two is reversed, turning federalism, at least potentially, from a catalyst into a cause of integration. In the fluid and highly politicised context of current European affairs, ideas and political leadership – or lack thereof – are crucial to determining the EU's future course.

Political fluidity does not mean randomness. Three factors are particularly important for the Union's chances to integrate further in the years to come: the existence of a convincing federal vision for the continent, the emergence of an effective common leadership to promote such ideas, and the presence of a conducive international environment. For each, however, one can identify strong countering forces and sources of friction in Europe's political landscape. For one thing, euroscepticism remains high among European voters. For another, the Commission has yet to prove itself able to overcome the Union's intergovernmental bias. On the international front, finally, it is primarily Germany's hesitant

<sup>29</sup>H. Jacobsen, "Denmark won't follow Britain's EU direction, minister says", *EurActiv*, 7 May 2013, <http://www.euractiv.com/future-eu/wont-follow-britains-eu-directio-news-519551>.

<sup>30</sup>Haas, "The Study of Regional Integration", 618.

leadership and Britain's 'euro-ambivalence' that stand in the way of further integration. Thus, the Union hangs in the balance.

Muddling on may, again, be the only choice at the moment, but it is not a desirable solution for the medium and long run – nor, for that matter, is it likely to be feasible. Without appropriate economic and institutional safeguards in place, a new economic slump in Europe could realistically knock one or more austerity-fatigued economies out of the eurozone. In fact, the very absence of such safeguards might cause such an event, by leaving weaker European economies easy prey for speculative attacks. Should this be the fate of a large country like Italy, the collapse of the monetary union would probably be just a matter of time.

What would happen to the EU from that point on is pretty much anybody's guess. Politics does not easily lend itself to predictions, so all scenarios should be taken with a good dose of scepticism. But if one has to choose, judging only from the past, between continuing on a course that, after all, has served Europeans rather well politically and economically, and reverting to old structures and habits, the latter hardly seems the clever choice.

## ORCID

Pier Domenico Tortola  <http://orcid.org/0000-0003-4865-572X>

## References

- Bickerton, C.J., D Hodson and U. Puetter. "The New Intergovernmentalism: European Integration in the Post-Maastricht Era". *Journal of Common Market Studies* (2014), doi:10.1111/jcms.12212.
- Börzel, T.A., and T. Risse. "When Europe Hits Home: Europeanization and Domestic Change". *European Integration Online Papers* 4, no. 15 (2000).
- Fabbrini, S. "Intergovernmentalism and its Limits: Assessing the European Union's Answer to the Euro Crisis". *Comparative Political Studies* 46, no. 9 (2013): 1003–29.
- Featherstone, K., and C.M. Radaelli. *The Politics of Europeanization*. Oxford: Oxford University Press, 2003.
- Ferrera, M. "L'Europa in trappola: come uscirne?" *il Mulino* 1 (2014): 63–76.
- Haas, E.B. "The Study of Regional Integration: Reflections on the Joy and Anguish of Pretheorizing". *International Organization* 24, no. 4 (1970): 606–46.
- Haas, E.B. *The Uniting of Europe: Political, Social, and Economical Forces, 1950–1957*. London: Stevens, 1958.
- Hix, S. *The Political System of the European Union*. Basingstoke: Palgrave Macmillan, 2005.
- Hoffmann, S. "Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe". *Daedalus* 95, no. 3 (1966): 862–915.
- Hooghe, L., and G. Marks. *Multi-Level Governance and European Integration*. Lanham, MD: Rowman & Littlefield, 2001.
- Lane, P.R. "The European Sovereign Debt Crisis". *The Journal of Economic Perspectives* 26, no. 3 (2012): 49–67.

- Lefkofridi, Z., and P.C. Schmitter. "Transcending or Descending? European Integration in Times of Crisis". *European Political Science Review* (2014), doi: [10.1017/S1755773914000046](https://doi.org/10.1017/S1755773914000046).
- Moravcsik, A. "Europe after the Crisis: How to Sustain a Common Currency". *Foreign Affairs* 91 (2012): 54–68.
- Moravcsik, A. *The Choice for Europe*. New York: Cornell University Press, 1998.
- Moravcsik, A. "Preferences and Power in the European-Community – a Liberal Intergovernmentalist Approach". *Journal of Common Market Studies* 31, no. 4 (1993): 473–524.
- Morgan, G. *The Idea of a European Superstate: Public Justification and European Integration*. Princeton: Princeton University Press, 2005.
- Pierson, P. "The Path to European Integration: A Historical Institutionalist Analysis". *Comparative Political Studies* 29, no. 2 (1996): 123–63.
- Pollack, M.A. "Delegation, Agency, and Agenda Setting in the European Community". *International Organization* 51, no. 1 (1997): 99–134.
- Rosamond, B. *Theories of European Integration*. Basingstoke: Macmillan, 2000.
- Sandholtz, W., and A. Stone Sweet, eds. *European Integration and Supranational Governance*. Oxford: Oxford University Press, 1998.
- Schimmelfennig, F. "European Integration in the Euro Crisis: The Limits of Postfunctionalism". *Journal of European Integration* 36, no. 3 (2014): 321–37.
- Schmidt, V.A. "Saving Social Europe: Going Beyond the EU's 'Governing by the Rules and Ruling by the Numbers'". *Social Europe Journal* 4 (December 2014). <http://www.social-europe.eu/2014/12/social-europe-3>.
- Schmidt, V.A. *Democracy in Europe: The EU and National Politics*. Oxford: Oxford University Press, 2006.
- Schmitter, P.C. "A Way Forward?" *Journal of Democracy* 23, no. 4 (2012): 39–46.
- Schmitter, P.C. "A Revised Theory of Regional Integration". *International Organization* 24, no. 4 (1970): 836–68.
- Schmitter, P.C. "Three Neo-Functional Hypotheses About International Integration". *International Organization* 23, no. 1 (1969): 161–66.
- Shambaugh, J.C. *The Euro's Three Crises, Brookings Papers on Economic Activity*. Washington DC: Brookings Institutions, (Spring 2012): 157–211.
- Tortola, P.D. *Why a Partisan Commission President could be Good for the EU: A Response to Grabbe and Lehne*, CSF Policy Paper no. 2. Turin: Centro Studi sul Federalismo, December 2013.
- Verovšek, P.J. "Memory and the Euro-Crisis of Leadership: The Effects of Generational Change in Germany and the EU". *Constellations* 21, no. 2 (2014): 239–48.
- Vilpišauskas, R. "Eurozone Crisis and European Integration: Functional Spillover, Political Spillover?" *Journal of European Integration* 35, no. 3 (2013): 361–73.
- Webber, D. "How Likely is it That the European Union Will Disintegrate? A Critical Analysis of Competing Theoretical Perspectives". *European Journal of International Relations* 20, no. 2 (2014): 341–65.
- Wiener, A., and T. Diez eds. *European Integration Theory*. 2nd ed. Oxford: Oxford University Press, 2009.
- Zielonka, J. *Is the EU Doomed?* Cambridge: Polity Press, 2014.