

Quo Vadis Europe? Thoughts on a vision for Europe – centralism vs. subsidiarity Essay by Georg Serentschy

Amidst the dramatic repercussions of the 2008 global financial crisis, Austrian journalism giant Hugo Portisch wrote the following in a 2011 book entitled “What Now?”:

*The world is coming apart at the seams. The situation is serious. It would seem justified to ask: Can Europe still be saved? Or our currency, the Euro? Who actually invented this EU? Who and why? Are we not entitled to a great many answers?*¹

Now, six years later, the (rhetorical) questions posed by Portisch and his verdict that “the world is coming apart at the seams” remain unmistakably valid, when we consider factors such as: the smouldering euro crisis (obscured by the raging migration crisis), with Greece and Italy at the tipping point; the upcoming presidential election in France and the wholly uncertain consequences of BREXIT; the global, currently unforeseeable effects of the US presidential election; and the state of affairs in Turkey and Syria. In a December 2016 interview with German broadcaster ZDF, EU Commission President Juncker admitted that the EU was in serious trouble. For the first time the Union had more than one crisis to manage: “*We are facing a **polycrisis** this time. Fires are burning in every quarter – and not just in the European quarters,*” Juncker observed. The Commission President also showed understanding for many EU citizens who have lost confidence. Nonetheless, despite all uncertainties, one fact has already emerged clearly: Europe (and not just the EU) has to re-invent itself and take over control of its own destiny. But what does that mean for each of us? Back to the beginning? And if so, what would be the point of departure?

To avoid potential misunderstandings, I need to stop briefly here to clarify the following:

- This essay is neither a scientific paper, even though some effort has been given to researching the literature and newspaper articles (see the appendix for details), nor does it make any claim to providing reliable forecasts or offering a particularly precise or even complete analysis.
- It represents my personal reflections based on: my great enthusiasm for the holistic concept of Europe and for the progress achieved by the enlightenment and the humanist tradition in Europe; many years of working at international level including experience with European institutions; and my close, consistent observation of political and economic events.

The American misunderstanding

I now wish to present several observations taken directly from my professional activities. One facet of my current professional activities is to explain to US corporate clients active in the digital industry how Europe's authorities and regulatory environment work, and how and to whom these clients can lodge their interests. US corporations know where to go to represent their interests in the United States, namely at a central place symbolised by Capitol Hill in Washington DC. Some of these companies intuitively arrive by analogy at the (inadmissible) conclusion that all they need to do in Europe is to present their case at the Berlaymont Building, i.e. the headquarters of the European Commission, and at the European Parliament a further 500 metres from there. They are often very surprised when I explain to them that Brussels is just a first, necessary but by no means sufficient, step along the way to getting their interests heard, since they also have to be represented in the capital cities of (at least) the major Member States of the European Union. This brings to mind the famous statement by Henry Kissinger, who once complained that he didn't know which (single) phone number to dial to reach Europe's political leadership. While matters have since improved somewhat with the introduction of the permanent Council presidency and the position of European "foreign minister" (or more precisely the "High Representative of the Union for Foreign Affairs and Security Policy"), the Kissinger anecdote still vividly illustrates one facet of the complex European (Union) system.

The European system

For almost 15 years I have been occupied with issues relating to regulatory policy of the digital sector in Europe. My experience is based on working in the area of national regulation in Austria and serving as Chair of the Body of European Regulators for Electronic Communications (BEREC)². With the aid of a new legislative act, published in September 2016,³ the European Commission has proposed to expand BEREC to become an *EU agency*; in view of the plan to set up a Digital Single Market in Europe, I feel this proposal is worth considering. It is planned to further develop BEREC in line with a multilevel governance (MLG) approach,⁴ an integration theory that is under intensive discussion among sociologists and political scientists. Within the context of integration studies, MLG is a popular approach for two reasons: stated positively, it recognises and accounts for the complexity of the European system of governance; more critically, the theory is one of open outcomes in the sense that the actors driving integration are not defined a priori but rather newly manifest themselves as the situation progresses (refer to Weiss, end note 4). Remaining with the example of BEREC, for the body's governance system the MLG approach means that the Directorate General for digital economy (DG CONNECT) of the European Commission (EC) is to occupy itself much more strongly than it has done in the past with an issue that has been neglected for years, namely policy setting, and that BEREC is to derive its principles and guidelines from European legislation (originating with the European Parliament), while national regulatory authorities are to mandatorily implement those principles and guidelines.

As Weiss (4) points out, in the late 1990s a broad consensus emerged that the network of sovereign national states had been transformed into an MLG architecture by the European integration process. At present this consensus no longer exists and in Europe there are dominant currents which, considering precisely this development

to be harmful, wish to prevent any deeper integration of Europe and even want to withdraw certain steps towards integration that have already been taken. In line with this reasoning, most of the Member States are sceptical towards transforming BEREC into an EU agency as they have no desire to relinquish (even more) powers to Brussels. These countries are concerned about BEREC's independence and, in the name of "subsidiarity", wish to bring home certain powers to the national states and their authorities. This vividly illustrates the dichotomy between centralism and subsidiarity (federalism). Centralists view federalism as a variety of separatism and a lack of efficiency. Federalists equate centralism with the totalitarian state and refute this approach with the argument that "one size doesn't fit all". The two sides could hardly entrench themselves more deeply.

Federalism and centralism

A brief digression is appropriate at this point to consider the strained relationship between centralism and subsidiarity. In my view this is not a case of "either – or". People readily concede that garbage disposal, water supply and waste water treatment are most efficiently managed at local or regional level, yet in accordance with supranational standards. Nor can worker protection regulations be harmonised at will, since northern Europe's requirements differ from countries in the south. On the other hand, issues such as climate change, air pollution, sustainable marine management and similar problems can only be resolved at supranational level. An example of the need for supranational action, taken from my professional activities, is the necessity to adapt copyright law to meet the requirements of the digital age. If, in a Member State of the EU's Digital Single Market, I have paid for rights to use digital content, why should I not be able to take those rights with me on trips within the EU? This is not about whether we need "more" or "less Europe". In certain areas, such as defence and security, the single market, and the harmonisation of taxation policies, we need "more Europe", while in other areas that are better managed locally we would prefer "less Europe". In my view, and as seen by these examples, while this debate addresses an important policy issue related to the single market, it by no means touches on the core of the EU's polycrisis.

Austrian Baroque

The EU-level federalism-centralism debate can, by the way, also be transposed to the level of the Member States where, for example in Austria, it gives birth to manifestations harkening back to the Baroque age; apart from the fact that many political observers are unable to grasp why in a country as small as Austria, with its nine federal states, there have to be nine different building codes, nine youth protection codes, nine sets of hunting regulations and nine other various sets of legislation, all needing to be maintained, as well as nine state parliaments which lovingly nurture this legislative "folklore", arguing that they are "closer to the people"; apart from this, then, the crux of the issue is the yawning gap between expenditure decisions and the responsibility for funding them. The most prominent negative example of this is the educational sector. This is augmented by the virtually non-transparent subsidy system, often exhibiting feudal features, which exists in each of the federal states. Besides the gap separating responsibility for funding, activities and expenditures, this type of federal system is characterised by other problematic features, including competence fragmentation and parallel structures, a complex system of responsibilities and transfer payments, as well as an insufficiently

transparent accounting system at federal state and municipal levels. In contrast, an economically efficient system would require one party to be entrusted with the responsibility for implementation and funding wherever possible. This creates incentives to make efficient and thrifty use of public funds.⁵

Textbook example of populism

Here it is worthwhile to look at the BREXIT referendum and the narrative related by its protagonists. The whole affair was obviously never intended by its initiators as a way of actually leaving the EU but as an experiment in “Tory party management” to placate troublesome members of the Tory ranks who are traditionally critical of the EU; the experiment obviously failed miserably. As we all know, the day after the outcome, which surprised everybody, each and every one of the protagonists of this experiment, citing reasons similar to Nigel Farage’s typical explanation that “I want my life back”, left politics and unabashedly admitted (without further consequence) that their arguments had been based on figures and claims that were simply false. This knowledge did not prevent Mr Farage and other like-minded populists from becoming members of the EU Parliament and pocketing salaries from an institution they do not recognise in order to work towards “destroying the EU”, as Farage put it. The whole affair is a textbook example of where populism leads. In all probability the United Kingdom will actually leave the EU one day; the economic damage has already become manifest and will be felt even more in the future. Yet, the political damage to the EU is even more serious, as can be seen in three components:

- (1) The exit process will be incredibly difficult and bind much of the EU’s capacities – capacities which will then be unavailable (or only to a limited extent) to resolve the polycrisis.
- (2) With its liberal and globally open economic policy, the United Kingdom will be missed in its role of counterbalancing the southern European Members States. There is a consequent risk of the EU “listing” towards the south, with its problematic economic doctrines.
- (3) The EU will thus instantly lose a measure of its economic and technological effectiveness in the field of global competition and consequently forfeit political strength.

In summary, BREXIT will make losers of Europe and the United Kingdom, while global competitors gloat over their gains. At this point I might mention that certain EU officials could have shown more adeptness at self-critique on the day after the BREXIT referendum, considering the outcome and the shock wave it generated.

Is nationalism the solution?

Let us now turn to an analysis of the factors driving this development: the symptoms of the current “polycrisis” often cause perplexity among policymakers and waning confidence among citizens. This unhealthy combination simultaneously provides a substrate that sprouts the populists now present in every Member State; their common approach is to dig out antiquated policy notions, propagate a strong national state and reject European solidarity, while at the same time holding out their hands to receive funding from the EU. The great delusion concealed by this political concept (or better said: political blind alley) is the fact that the notion of a strong national state – particularly in Germany, Japan, Italy, but also Austria, to name only a few – gave

way to the greatest global tragedies humankind has ever had to suffer, namely the First and Second World Wars.

Here we digress briefly to consider the US. We ought not to forget that the federal integration of the United States of America grew out of circumstances displaying several parallels to the current situation in Europe: it is common knowledge that before the USA could be integrated as a nation, it was the American Civil War that brought about a restructuring of the country's colonial heritage. Another interesting fact is that the Swiss Confederation was first founded in 1848 following a brief civil war as a result of which the cantons with a Catholic majority were forced to bow to the dictate of Protestant Switzerland.

One can hardly wish Europe to have to pass through this phase of history – i.e. a civil war. This insight from history needs to be taken to heart by those propagating a European model of “strong national states” and ought to serve as a warning to those attracted by this model.

Lack of a vision for Europe

A main reason – if not the decisive one – for this widespread uneasiness and for perplexity among the active participants is, in my view, the lack of an “ultimate” vision for Europe. Be it a federation or similar structure, what is the final goal of the policy for European integration? What role should be played by the EEA Member States and Switzerland, and what will be the part of a post-BREXIT UK? What will remain of the Schengen Area and the euro?

Answers are given in a 2012 visionary publication by Verhofstadt and Cohn-Bendit entitled “For Europe!”.⁶ Guy Verhofstadt is a Belgian who led the Brussels government from 1999 to 2008, Daniel Cohn-Bendit a German-French citizen who has been a candidate for the European Parliament on lists in both countries; the two agree that: *“Policymakers and national governments have failed. They only think about their national interests. They have no idea, no vision of Europe. They are unable to explain Europe to its citizens. This encourages a resurgence of nationalism and populism.”* For this reason, they conclude, Europe's citizens need to take the continent's destiny into their own hands. *“We need to convince them. The markets may be doing many things wrong, but in this case they are doing things right: they are driving policymakers towards economic, social and political union,”* Verhofstadt says. Today, four years after publication of the manifesto, translating this vision into practical *Realpolitik* appears an impossibility, too strongly is Europe's current political mainstream opposed to it; what vision would then be helpful in today's situation?

Peace and prosperity

At this point it would be worthwhile to look back at the accomplishments made by the founding fathers of today's EU. After the Second World War, Europe was in every respect a heap of ruins. The cornerstones for rebuilding Europe were laid by the United States, with its – not wholly altruistic but nonetheless effective – Marshall Plan for Europe, and by French Foreign Minister Robert Schuman who, in a courageous step, offered his hand in friendship to Germany after three wars (!) in the space of 70 years. German Chancellor Konrad Adenauer accepted Schuman's extended hand and together they formed the German-French axis that has held fast by and large up

to the present day. In founding the European Coal and Steel Community (ECSC), the economic and political goal was to enmesh the two countries' industries so closely that neither could ever start a war on its own. Enlarged by the Benelux countries, the ECSC later became the EEC; that was the birth of the modern-day EU, which took its ultimate shape with the signing of the Treaties of Rome in 1957. It needs to be reiterated that the founding of the EU was driven by the wish to never again allow war to originate in Europe and to interlace the economies of all Member States for a common benefit. This was indeed a strong vision and the two goals were achieved (if one disregards the Yugoslav wars). Peace in Europe is taken for granted today and the general growth of prosperity is undeniable, even though what constitutes a "fair" distribution of wealth continues to be a subject of controversy. Many are calling for a "re-founding of the EU" or for "going back and starting over". I can see no sense in such demands; we cannot go back to the beginning! The current situation cannot be compared with conditions at the founding of the EU. In my view what we are lacking today is (1) a vision for Europe that provides convincing but not necessarily definitive answers to the questions raised by the polycrisis; and (2) a communication strategy to disseminate this vision and to give people back a stronger sense of security.

Outlook

It is worth recognising that in the "Bratislava Declaration and Roadmap" the EU 27 referred to the polycrisis and pointed to approaches for its resolution.⁷ Specifically, in the Declaration the EU pledges to improve communication with its citizens:

Bratislava is the beginning of a process. The coming formal European Council meetings will allow for concrete follow up on the themes mentioned here. The Heads of the 27 will meet informally at the beginning of 2017 in Malta. The March 2017 celebrations of the 60th anniversary of the Rome Treaties will bring together Heads in Rome and will be used to round off the process launched in Bratislava, and set out orientations for our common future together.

It remains to be seen whether the Member States, aided by a plan phrased in merely technocratic language and bar any perceptible passion for the holistic concept of Europe, will succeed in agreeing on a common path in the coming months.

While I am unable to pull this vision out of my hat as it were, I do wish to offer for further discussion several main points which such a vision might entail or which might help define such a vision:

- A European vision cannot and will not develop from a "big bang"; we need to be open to engage in a development process, to have the courage and curiosity to experiment and to try out various stages of the developing vision; it will take process-oriented managers and policymakers to define a path for developing this vision. This process must be closely coordinated with a communication strategy for all citizens of Europe.
- The Trump administration can be expected to put pressure on Europe to do more for its own security. That is a wake-up call for Europe to emancipate itself to some extent from the United States in a spirit of friendship, and to commit appropriate resources; this would also entail creating a European army and reconsidering Europe's role in NATO, a piece of architecture going

back to Cold War days. This step would ultimately have to lead to redefining the position of the “neutral” states in Europe.

- Europe needs to redefine its relationship with Russia, while insisting on consideration being given to Europe’s genuine economic and political interests. At the same time, Europe should not lose sight of the security needs of Poland and the Baltic states, with their related concerns in the face of a Russia perceived as expansionistic.
- Using all available instruments, including the EU and the European Investment Bank (EIB), Europe should launch an initiative for physical and digital infrastructure which, having an effect comparable to the Marshall Plan and the ERP Fund arising from it, would result in sustained improvement and modernisation of Europe’s infrastructure. The initiative would generate employment effects highly suited to combating unemployment in Europe and would make Europe more attractive for investors, resulting in a “virtuous circle” that would feed Europe’s capacity for innovation and subsequently trigger economic growth and employment.
- Europe needs to commit itself more strongly to long-term improvement of living conditions in those regions of the world where a lack of economic perspectives is causing rising pressure to migrate. It needs to be recognised that the population living in certain parts of the world are faced with conditions for sustaining a livelihood that are deteriorating and will further deteriorate due to climate change and the destruction of resources, which will additionally exacerbate the pressure to migrate. Meanwhile, in these and other regions, firm action needs to be taken to dispel the myth that Europe can or will accept every migrant.
- Europe’s external borders need to be consistently protected to allow the free movement of goods and people to flourish (once again) within the Union. Adequate and safe reception areas, in keeping with standards of human dignity, need to be set up at the gates of Europe to absorb the mounting pressure to migrate (which will not abate!).
- Finally, a *ceterum censeo* for Austria; these recommendations, though often put forth by clever minds, have yet to be put into practice:
 - ✓ Appreciably higher investments in education and research
 - ✓ Cost-savings through the reduction of bureaucracy at all levels (proposals can be found in the reports by the Court of Audit)
 - ✓ Reform of the federal state system (guidelines have been prepared by the *Österreich-Konvent*) and a cutting back of the outgrowths of federalism to correspond to the size of the country)

I am confident that, even coming from a small country like Austria, this kind of political stimulus for Europe can prove helpful.

Thanks: I wish to thank certain of my friends and companions for providing critical comments and valuable items of information and who so contributed to ensuring a more balanced essay content.

¹ **Was jetzt?** (*What Now?*) Hugo Portisch (80 pp.) Ecowin 2011, ISBN 13 978-3-7110-0019-4

² http://www.berec.europa.eu/eng/about_berec/what_is_berec

³ <https://ec.europa.eu/digital-single-market/en/telecoms>

⁴ "Superstaat EU? Eine theoriekritische Analyse" (*EU: A Super State? A critical theory analysis*; Masters thesis by Jürgen Peter Weiss)
http://othes.univie.ac.at/16544/1/2011-10-18_0153207.pdf

⁵ Föderalismus und Wirtschaft (*Federalism and Economy*; Wirtschaftspolitische Blätter der WKO 2014/1)

https://www.wko.at/Content.Node/kampagnen/WirtschaftspolitischeBlaetter/2014_1_Federalism_and_Economy.html

⁶ For Europe! Manifesto for a post-national revolution in Europe. Guy Verhofstadt, Daniel Cohn-Bendit.

CreateSpace Independent Publishing Platform 2012, ISBN 978-1479261882

⁷ http://www.consilium.europa.eu/press-releases-pdf/2016/9/47244647412_en.pdf

Selected publications and several newspaper articles for further reading:

Konkretisierungsversuche und offene Fragen in ökonomischer Sicht (*Attempts at concretisation and open questions in an economic view*) – Thomas Döring - *ORDO: Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft* Vol. 47 (1996), pp. 293–323 https://www.jstor.org/stable/23743146?seq=1#page_scan_tab_contents

<http://www.profil.at/home/zwischen-foederalismus-zentralismus-oesterreichs-nachbarlaender-vergleich-250066>

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EU vor der Zerreiprobe – wie sieht die gemeinsame Zukunft aus? (*A Crucial Test for the European Union – What Will the Common Future Look Like*)

http://blog.zeit.de/herdentrieb/files/2016/06/wirtschaftsdienst_6_2016_383-396_Zeitgespraech_EU_vor_der_Zerrei%3%9Fprobe.pdf