

Which Way Out?

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So far, Germany has felt hardly any pain from the Eurocrisis. On the contrary, the country's export industry has done fantastically well out of the relatively low exchange rate of the common European currency. Yet it is Germany that has seen the sharpest debate on the future of democracy and the welfare state in Europe (at least as far as discussions among left-wing intellectuals are concerned). Nowhere else have the options been laid out so clearly—despite the fact that anything smacking of Euroskeptic nationalism à la the UK Independence Party remains a taboo in German public debate. The philosopher Jürgen Habermas, at age 85 still Europe's most important intellectual and an ardent defender of further European integration, has called on elites to take the risk of throwing the technocratic European Union open to the vagaries of genuinely democratic politics. One of his most prominent opponents, the social scientist Wolfgang Streeck, has insisted that only a scaling back of integration and a return to the nation-state will save welfare systems and lead to an acceptable settlement between the conflicting imperatives of capitalism and democracy.

Claus Offe, one of the most influential political sociologists in Germany over the last 40 years or so, thinks neither view is terribly realistic at this point. The title of his book says it all: Europe finds itself in a trap of its own making. Offe has no easy answers as to how the continent might escape. But his 130-page essay is a model of analytical clarity and should be required reading for anyone who wants to grasp the core issues of the crisis—and eschew simple slogans and facile apportionment of blame to single nations (whether Germany or Greece).

Offe reads the crisis as what he calls “the cumulative outcome of a *financial market* crisis, a *sovereign debt* crisis, an *economic/employment* crisis and an *institutional* crisis of the EU.” The last is arguably

still least understood. The union has long relied on the idea that economic integration will create challenges which will necessitate further integration, so that, independent of what Offe at one point calls “the subjective factor,” Europe will become ever more united. Yet the Eurocrisis has taught Europeans the hard way that at least the eurozone cannot run on autopilot. The currency union was ill-conceived to start with, given that it forced too many heterogeneous economies together; and to this day it is governed by the “one monetary policy fits none” approach of the European Central Bank.

Europe Entrapped
by Claus Offe.
Polity Press, 2015.

Offe argues that the EU now faces a dramatic “problem of agency”—which is a needlessly abstract way of saying that politicians are required to reshape the union as a whole in such a way that both the euro and the collapsing countries of the South can be saved. Yet—and this is the trap—the crisis destroys the very “sources of constructive remedial agency” that could solve it. Or, the same thought (which is Offe's most original contribution to the debate on the Eurocrisis) put differently: Europe is caught in a vicious circle.

The trap has only partly been created by the Eurocrisis itself. There is a deeper structural problem not exclusive to the eurozone: Europe's problems are supranational, but the politicians who really could address them are national. What Offe calls potential “agents of change” have to worry about domestic voters, not the popularity of policies across the EU as a whole. Hence, according to Offe, the really scarce resource in the Eurocrisis is not money—it's pan-European political consensus. There simply are no institutions to create such a consensus. What's worse, existing EU bodies have proved powerless in the crisis due to another vicious circle: Because they are not effective, they are not legitimate, and because they don't have the legitimacy to develop more ambitious policy instruments, they remain ineffective. As a consequence, Offe says, trust in the EU has declined in all member states.

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More particularly, Brussels is viewed as a force for brutal economic liberalization, when what the South needs is modernization (of the state, above all), not an “unleashing of market forces.” Even worse, the EU can for the first time be experienced as a form of “foreign rule,” and European integration as a zero-sum game. Drawing on political psychology, Offe argues that the crisis has been framed as one pitting nation against nation (as opposed to the reality of class against class, as he puts it somewhat reductively). Perversely, both the supposed occupiers (Germany, above all) and the occupied (Greece, above all) see themselves as victims of Brussels—the former, because taxpayers’ money goes to supposedly lazy Southerners (in fact, Greeks work far longer hours than Germans; they just are not nearly as productive), and the latter because austerity is actually counterproductive: Shrinking economies, Offe claims, do not successfully undertake structural reform. The economic indicators are bound to get worse, as austerity further diminishes the tax base and drives up the ratio of total debt to GDP, even when debt is being reduced.

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Is there any way out of the trap, perhaps by getting rid of the whole flawed eurozone construct as we know it? Offe is adamant that dissolving the euro is not an option. It would lead to what he calls (using a somewhat peculiar metaphor) “a tsunami of economic as well as political regression”—although it is hard to see how the “political regression” could get much worse than what we have seen over the past half-decade or so. The technical and legal problems are also daunting: 153 exchange rates would have to be fixed at the same time, according to Offe, and some emergency legislation would be needed (as of now, the European treaties make no provision for a member state’s leaving the eurozone but staying in the EU—though there is the possibility of legally leaving the union altogether). Offe insists emphatically—and in italics—that “*the Euro . . . is a mistake the undoing of which would be an even greater mistake.*” But while this statement might have been made by German Chancellor Angela Merkel, Offe is social scientist enough to admit that in fact nobody at this point really knows the costs of disintegration.

Contrary to Offe’s pessimism at the beginning of the book, where he insists that what is economically necessary is politically just impossible,

at the end he gestures toward two escape routes—though the prescriptions here do not match the analytical clarity with which the trap has been presented. Like many observers, Offe urges Germany to transform itself into “a less export-addicted economy.” Here, framing would again be crucial: “internal adjustment” for Germans could be presented as “more money for ‘us’” in the form of higher wages, as opposed to “more money for ‘them’” with loans and guarantees.

The second, more ambitious suggestion is for Germany, the currently indispensable nation, to make itself dispensable by creating a different kind of EU. The eurozone members should construct, Offe says, what effectively amounts to a European welfare state (even if he does not call it that). He thinks that the EU ought to generate “material entitlements” (through redistribution and also the creation of an at least rudimentary European unemployment insurance scheme, for instance).

Offe knows that at this point Europe as a shared project generates little enthusiasm across the continent, but he thinks his “social Europe” would, if—and it’s a big if—“a sustained and robust alliance of popular political forces, preferences, and political parties” could be formed. But how could this happen, given his own analysis of the trap? How could classes across countries generate “agency” when politics remains firmly national and the current EU political architecture puts nation-states in the driver’s seat? Here Offe falls back on what sounds like a pious hope: National political parties should widen the horizons of the voters in terms of both time and space. Well, who’s against making voters more rational and responsible in the long run? But expressing hope is not quite the same as explaining how what Offe calls “energetic political agency” could be constituted.

After half a decade of punditry and learned commentary on the Eurocrisis, one might wonder whether there is still much that hasn’t been said already. I, for one, cannot think of anyone who has presented the problems as precisely as Offe, integrating economic and political perspectives on the crisis. Unusual for a German sociologist (to put it mildly), he has a knack for succinct formulations that offer explanations in a nutshell without being reductionist. To be sure, he does not present plausible answers. But anyone who wants to understand what the questions really are should read this book. ■