

“EU governance, which was long apolitical and technocratic, with disagreements handled in private and deals made behind closed doors, has become more politically charged.”

Politics Shakes Up EU Governance

VIVIEN A. SCHMIDT

For the past decade the European Union has been on a roller-coaster ride, careening from crisis to crisis with little pause for breath. The Eurozone sovereign debt crisis beginning in 2010 was quickly followed by the refugee crisis that peaked in 2015; then came Britain’s 2016 referendum vote to exit the EU, succeeded by growing concerns about an illiberal drift in Central and Eastern Europe, and by a push to enhance security and defense cooperation under US pressure. All this increased the need for EU governance capability at a time when the growing volatility of national politics was roiling the bloc’s decision-making.

Ways of Governing

Sixth in a series

As populist parties on the extremes of left and right have not only won elections but also increasingly held power at the national level, either alone or in coalitions, EU governance has become more difficult. Crises are harder to resolve because consensus is harder to obtain. Along with problems related to the EU’s governing ability have come doubts about its authority and democratic legitimacy. The question is whether politicization will have lasting negative effects, making the EU less governable and leaving its policy crises unresolved—or positive effects, enabling the bloc to fix its policies and calm the politics while enhancing democracy.

PRESSURES AND RESILIENCE

The governance of the EU has always been difficult to understand and complicated to manage, but EU actors—like the European Council, the European Commission, and the European Central Bank (ECB)—nonetheless have proved adept over the

years at deepening integration in ever-expanding policy domains, to the general satisfaction of European citizens. More recently, however, while the EU’s level of complexity has only increased, its ability to produce positive results has declined.

The EU’s governance capacity has been challenged by crises in key policy areas such as money (how to ensure stability and growth in the Eurozone), borders (what to do about refugees and migrants), the integrity of the union (how to manage Brexit), the rule of law (what to do about the democratic illiberalism of Hungary and Poland), and security (how to develop effective cooperation)—not to mention the complications of the transatlantic relationship (on trade as well as security). As if all this were not enough, these policy challenges have been accompanied by growing political challenges to the bloc’s governance at multiple levels.

Once largely apolitical and technocratic, EU governance has become increasingly politicized—at the bottom, in the polarization of national politics surrounding EU issues; from the bottom up, via political pressures on EU actors in contested areas; and at the top, in the more politically charged dynamics among EU actors. Such multi-level politicization has in turn affected perceptions of the EU’s legitimacy. Misgivings about its activities—the effectiveness of its policies, the responsiveness of its politics, and the quality of its processes—have undermined public trust in the EU’s governing authority.

Yet the EU has proved to be amazingly resilient. Despite dire warnings that the Eurozone would collapse, that the refugee and migrant crisis would explode, that Brexit would unravel the bloc, that security breaches and terrorist attacks would escalate, and that democratic illiberalism in Central and Eastern Europe would spread across the continent, the EU continues to plod along, having

VIVIEN A. SCHMIDT is a professor of international relations at Boston University.

avoided the worst in all areas, at least for the moment.

The EU finally turned the corner on the Eurozone crisis, though it took two years to stabilize the economic area and five to get it back on track. Some essential building blocks are still missing. In its initial response to the crisis in 2010, as market attacks on states with high deficits or debt threatened to push them into default, the EU declined to provide some form of debt forgiveness and mutualization (through jointly issued eurobonds) accompanied by greater fiscal or monetary stimulus. Instead, it decided to govern by rules and rule by numbers. This entailed reinforcing the rules of the Stability and Growth Pact by mandating austerity via low inflation, low deficits, and low debt—policed by European Commission oversight of member states' finances—while creating bailout funds with harsh conditions for loans, including rapid deficit reduction accompanied by “structural reforms” such as labor market deregulation and welfare state retrenchment.

Such rules-based governance dampened economic recovery while doing nothing to stop the bond market turmoil that pushed country after country into bailout programs—until ECB President Mario Draghi vowed in July 2012 that he was “ready to do whatever it takes to preserve the euro” as Spain and Italy, two countries “too big to bail,” found themselves in the markets' crosshairs. Around the same time, the Commission began incrementally reinterpreting the rules, easing their application in the interest of growth. The Eurozone economy remained in the doldrums nevertheless, with deflation threatening, until 2015, when the ECB began quantitative easing (buying member states' bonds) and a newly appointed Commission began to focus on investment.

But even today, the Eurozone remains vulnerable. The rules limiting deficits and debt still restrict spending that could stimulate growth. The institutions are incomplete: there is still no individual deposit insurance, nor an adequate backstop for bank failures, not to mention some form of mutual risk-sharing, like eurobonds. And economic growth continues to be subpar.

The politics of the Eurozone have deteriorated as a result of dissatisfaction with its economic performance and its governance processes. There is a lasting split between Northern European “creditor”

countries (where mainstream parties continue to resist anything suggestive of financial “transfers” to other member states, while populist parties call for a more restricted Eurozone), and Southern European “debtors” (where mainstream parties ask for more solidarity via debt forgiveness or greater mutual risk-sharing, while populist parties call for ending austerity or even the euro).

The EU also managed to end the worst of the migration crisis within a couple of years. It dramatically reduced the chaotic, massive flow of refugees and migrants in 2015 by making unsavory deals with neighboring states, notably Turkey. It also made progress on hardening external border controls. Yet it has failed to agree on a common refugee policy, or an equitable refugee distribution system. This dissension has provided grist for the mill of populist leaders on the extreme right who exploit the issue for electoral gain. Hungarian Prime Minister Viktor Orbán rallied support with images of barbed wire to keep out the “barbaric hordes” that he claimed

were threatening Hungarian purity and safety. (This also diverted attention from his government's increasingly antidemocratic measures.)

In Southern Europe, two of the countries hardest hit by the Eurozone crisis—Greece and

Italy—have borne the heaviest burden, as refugees in increasing numbers have landed on their shores. In Italy, the 2018 election of a populist coalition government was due in part to the EU's failure to find a common solution to the refugee crisis (as well as the Eurozone crisis). And it enabled Matteo Salvini, leader of the right-wing League, to use his position as interior minister to consolidate his political power.

As the Brexit saga dragged on, meanwhile, the EU remained united in response. Although British politics has been highly volatile throughout, the drama has encouraged parties on the populist extremes of left and right in other EU countries to become less radically Euroskeptic, renouncing earlier pledges to leave the EU or abandon the euro, including the extreme right Sweden Democrats and the National Front in France, among others. Still, the British exit poses a symbolic threat to the EU, challenging the very idea of European integration while raising the specter of disintegration. It also poses an economic threat, damaging the prospects of both Britain and the rest of the EU, espe-

Partisan politics has become part of the everyday routine in the European Parliament.

cially if Britain crashes out of the single market without a withdrawal agreement.

On the security front, the EU has been doing more to increase and institutionalize its governance efficiency and crisis response capacity. But this has not translated into consolidation of member states' military capacity as an integrated force or under a common security strategy.

Finally, the EU has begun to confront the problems of illiberalism via legislative and judicial avenues, such as starting disciplinary proceedings against Poland and Hungary. But the effectiveness of these efforts remains to be seen.

As the EU has muddled through its crises, for better or worse, its governance has changed notably. Most significant has been its increasing politicization in the midst of crisis management.

POLITICS AT THE BOTTOM

In the early years of the EU, because citizens perceived its policies to be working, or didn't pay much attention to them whether they worked or not, the bloc's governance benefited from what is known as the "permissive consensus," which allowed EU actors to deepen integration without much public scrutiny or concern. But over the past two decades, even before its multiple crises, the EU had been emerging as a more and more salient issue in member states' national politics.

The EU's governing activities, and sometimes even its authority, were increasingly contested. In elections, the traditional left/right divide was cross-cut by divisions between citizens with more open, cosmopolitan, and pro-EU views and those with more closed, nationalist, or even nativist attitudes. At the same time, polls and surveys such as Eurobarometer showed slowly eroding public trust in EU institutions (as well as national ones).

Once the crises hit in quick succession, electoral divisions accelerated exponentially, public trust in the EU declined dramatically along with its positive image, and the traditional political landscape was upended. EU member states experienced rapid turnover in their governments. To take just the example of France, center-right Nicolas Sarkozy was a one-term president; his left-of-center successor, François Hollande, also lasted just one term; and he was replaced by centrist Emmanuel Macron, who ran against both mainstream parties and won.

Some mainstream parties completely collapsed. On the social democratic left, Greece's PASOK has become a pale shadow of its former self, polling

at around 6 percent, as has France's Socialist Party. On the center right, Ireland's Fianna Fail, the dominant party for a century, has also been marginalized, while conservative parties in France, Italy, Spain, and Portugal are struggling. Only in Northern European countries like Germany and the Netherlands has there been relative continuity in government—though even German Chancellor Angela Merkel's conservative Christian Democratic Union has been weakened, while the Social Democrats have fallen to historic lows, taking just 16 percent of the vote in the May 2019 European Parliament elections.

On the heels of this mainstream collapse has come the rise of new (or reinvigorated) populist challenger parties. These parties have harnessed citizens' discontent by claiming to represent "the people" against self-serving elites, unaccountable experts, and unfair institutions, proposing radical agendas to disrupt the status quo. While the Euroskepticism of the radical left has been largely economically driven, founded on defense of the welfare state and opposition to ongoing market liberalization, that of the radical right has been more about defending national sovereignty, identity, and cultural homogeneity—though it is increasingly conjoined with welfare chauvinism (that is, preserving generous social benefits, but only for "us").

Since the EU's recent crises, such parties have rapidly gained support and increasingly found their way into government. Some have governed in coalition with mainstream parties—Portugal has had a successful alliance of center left and hard left since 2015, while Austria had a short-lived coalition government of conservatives and the hard right, which has been replaced by a conservative–Green coalition. There have been more unlikely left-right populist coalitions: Greece's Syriza with the nationalist extreme right, Italy's unclassifiable Five Star Movement with the extreme-right League. Other populist parties have governed on their own, notably Fidesz in Hungary and Law and Justice in Poland, which have both sought to institute "illiberal democracy" by undermining liberal democratic institutions such as judicial independence and freedom of the press.

Populist support has been fueled by socioeconomic concerns, focused on policies blamed for growing unemployment and poverty along with rising inequality, especially in the wake of the Eurozone crisis and in Southern Europe. These concerns have been intensified by fears about the loss

of social status, often mixed with worries about the changing faces of the nation, which were exacerbated by the refugee and migration crisis. But there have also been purely political sources of discontent, reflected in some people's sense of a loss of control as a result of deepening European integration.

In the Eurozone, governments at risk of breaching the rules (mainly in France and Southern Europe) found themselves torn between keeping their electoral promises to promote growth and protect the welfare state and honoring their supranational commitments to maintain austerity budgets, which required them to cut social benefits. In the Brexit referendum, the Leave campaign's rallying cry of "Take back control" was a clear expression of political dissatisfaction with the EU. It blamed the EU single market's freedom of movement for allowing Central and Eastern Europeans to flood Britain's low-skilled job market.

In my 2006 book, *Democracy in Europe*, I argued that as more and more decisions moved up to the EU level, the national level could be characterized as "politics without policy." Today, increasing politicization means that the national level is better described as politics against (EU) policy in the most contested areas—or even politics against polity in the most extreme cases, as citizens either support parties opposed to staying in the EU or vote directly for exiting the EU, as with Brexit. The EU level has also changed, moving from a technocratic decision-making process, which I characterized as policy without politics, to today's policy with politics.

FROM THE BOTTOM UP

As national politics has turned more volatile in recent years, it has increasingly constrained EU governance from the bottom up. Decision-making on European integration has become vulnerable to pressures resulting from national-level party competition, elections, and referendums. EU actors, cognizant of citizens' growing awareness of the EU and the political importance of public perceptions, have sought to communicate and legitimate their actions to the wider public on an ongoing basis.

In the European Council, where leaders of the member states meet to bargain, deliberate, and decide on the major issues confronting the EU, politicization can be seen in the growing influence of public opinion and electoral politics on leaders' positions. Relations among member states have

become more contentious and agreements harder to broker. Even if partisan politics per se remains largely absent from the relationships among member state leaders, the politics of national partisanship has infected Council decisions.

In place of traditional consensus-seeking compromise, leaders increasingly defend national "red lines," deferring to media pressure and what they perceive as citizens' preferences. This has translated into threatened (or actual) vetoes of EU measures, as in then-British Prime Minister David Cameron's threat to veto what became known as the Fiscal Compact, limiting debts and deficits, unless he got special treatment for the UK financial services industry; refusal to implement EU decisions, as when Central and Eastern European leaders rejected quotas for resettling refugees; and delayed decisions, as when Merkel dithered on agreeing to a bailout for Greece in late 2009 and early 2010.

In the European Parliament (EP), bottom-up politicization arrived in the form of the larger presence of populist representatives who won seats in the 2009 elections, joined by still more after the 2014 and 2019 elections. Even though they have had minimal impact on legislation so far, the EP has given populists an EU platform from which to speak to their national constituencies. The EP now has a thinning center, which is forced to form ever-larger grand coalitions and to forge ever-wider compromises.

This has directed increasing attention to the politics of the public interest, such as reducing cellphone roaming charges. But even in crisis areas, where the EP has had little authority, it has made more public pronouncements on the issues, held hearings, and commissioned reports. After letting itself be stampeded into reinforcing the Eurozone rules with legislative packages that instituted oversight procedures for all member states along with sanctions in cases of noncompliance, the EP subsequently issued scathing critiques of the Council, the ECB, and the Commission.

Partisan politics has become part of the everyday routine in the EP. This was most apparent when the center-right European People's Party (EPP), the largest group in the chamber, shielded one of its more extremist national member parties, Fidesz, from censure for undermining the rule of law in Hungary. Only just before the 2019 EP elections was the party suspended from the EPP.

Although supranational technical actors such as the Commission, the ECB, and other regulatory

agencies have not experienced the same degree of politicization as the EU's political actors, bottom-up politics nonetheless has exerted influence on them. They have sought to appear more responsive to the public on politically salient issues.

Politicization occurs not only at the bottom or from the bottom up, but also at the top. As integration has deepened, the relationships within and among major EU-level actors—Council, Commission, ECB, and EP—have become more political in every way. Long-standing cooperative relations are now riven by greater contestation in many domains.

This may be connected to national pressures, but it also concerns political struggles for power and influence among the various EU-level actors. Although such struggles are nothing new, they sharpened in the recent crises. Now hard bargaining is more pronounced, and productive consensus is more difficult to achieve. These struggles are not only about what to do, but also about who does it, and who imposes the costs of the decision on whom.

COUNCIL IN CHARGE?

In the Council, the leaders of the member states have become much more legislatively active than in the past. Since the Maastricht Treaty took effect in the early 1990s, not only have they decided more matters in the Council; they have also created new regulatory bodies and instruments outside the main EU institutions, instead of delegating more powers to the Commission. This has kept the Commission out of those bodies, but it has also put the member states in—for instance, by ensuring that nationally appointed representatives serve on their governing boards. Examples of such *de novo* bodies include the ECB, where the heads of national central banks constitute the governing board; financial entities such as the European Stability Mechanism (ESM), in which the Eurogroup of national finance ministers comprises the board; administrative bodies such as the European External Action Service, the EU's diplomatic corps; and a presidency for the European Council.

In response to the various crises, EU governance has increasingly favored processes of intergovernmental decision-making, in which the Council decides—to the detriment of co-decision, in which the Commission and EP play an equal role with the Council. In the Eurozone crisis, the Council took

charge; it was the only body that had the authority to decide what to do and the resources to commit to doing whatever was decided. Interest-based bargaining and consensus-seeking deliberation were both in evidence, as member states' preferences divided largely along North-South lines.

Interest-based negotiation was clearly at the forefront when Germany finally agreed to rescue packages for countries in trouble, but only in exchange for a reinforcement of the “stability” rules of the Stability and Growth Pact. The Germans demanded austerity and structural reforms from all member states, and harsh conditionality programs for the countries in trouble, initially without any debt relief. Hard bargaining was on open display in the third Greek bailout, in 2015, when a confrontation between Greek Finance Minister Yanis Varoufakis and his German counterpart Wolfgang Schäuble made headlines. Greece's left-wing populist Syriza government was forced to implement the harsh terms of the existing agreement without any renegotiation of the program or an end to austerity, breaking its promises to voters.

Yet consensus-seeking deliberation was also taking place, particularly once the crisis slowed in 2012. As successive Italian leaders, supported by the French, pushed first for

pro-growth policies and then for more flexibility in the application of the rules, Merkel acquiesced, initially agreeing to growth “with stability,” and then to flexibility “within the stability rules.”

In the refugee crisis, however, no such compromise was reached. Central and Eastern European countries refused to agree to any redistribution of refugees, putting up barbed-wire fences instead. In the rule of law crisis, the search for consensus in the Council led mainstream leaders to accommodate extreme-right populist governments, to the detriment of EU norms and values. Liberal democratic safeguards have been weakened, particularly in Hungary.

As for developing a common security and defense policy, there are existing ways for groups of countries to move forward on their own, and member states have agreed to a number of different initiatives. But the Council so far has done little to ensure progress, despite a discourse that has increasingly focused on building “security autonomy,” rendering the EU less dependent on the United States in military operations.

*Crises are harder to resolve
because consensus
is harder to obtain.*

COMMISSION AND CO.

While the Council may remain in charge of decision-making, particularly on the big issues and in crises, supranational EU actors have taken control of a number of domains. Bureaucratic entrepreneurialism and institutional creep are often cited to explain such technical actors' ever-increasing powers. The Council's growing activism has done little to stop this supranational empowerment. To the contrary, its deliberate moves to create new bodies in order to avoid increasing the Commission's powers enabled a wider range of EU supranational actors—the ECB, the ESM, and other *de novo* bodies—to gain even greater institutional powers of enforcement.

These self-same supranational actors developed and proposed to intergovernmental leaders the policy initiatives they themselves were then charged to enforce—such as the oversight mechanisms of the European Semester, a policy-coordinating framework pushed by the Commission. The new European agencies set up in response to the Eurozone and migration crises were established in areas where the Commission's own powers had been weak, and served its objectives while providing supranational institutions with additional means of rule-making, information-gathering, and enforcement.

The Commission has continued to increase and assert its power and influence in the EU's many crises. In the migration crisis, it was the body that came up with the quota system that caused such dissension among member states. In the Eurozone crisis, it wielded great discretionary authority through its enhanced oversight functions in the European Semester. At the onset of the crisis, it turned the screws on member states, including France, Italy, and Spain, with a rigid application of the rules that found them in violation of deficit and debt limits.

But as the crisis slowed between 2012 and 2015, the Commission began reinterpreting the rules by stealth, proclaiming a continued push for austerity and structural reform while giving repeated exemptions to France and Italy, and even recalculating the numbers for Spain so that it could avoid sanctions. Subsequently, with Jean-Claude Juncker as president, the new Commission continued to increase its room for maneuver, even creating rules to define the parameters of flexibility. Although Spain

and Portugal were ultimately sanctioned for excessive deficits, their fines were suspended.

Needless to say, while French and Southern European leaders vociferously protested the early rigidity, German and Northern European leaders complained loudly about the later flexibility. Schäuble was so outraged in 2014 that he, together with his Dutch and Finnish counterparts, called for the Commission to hand over its responsibilities for overseeing member states' finances to an independent agency.

The ECB also increased its power and influence during the Eurozone crisis in dramatic ways. In the early days of the crisis, it refused to take decisive action to stabilize the euro and end the crisis, citing the “no-bailout clause” in Article 125 of the EU Treaties and its own mandate, which forbade buying member states' debt. But it incrementally moved toward assuming the role of lender of last resort. First, Draghi promised to do “whatever it takes” to save the euro in July 2012, which immediately calmed the markets, and then began quantitative easing in 2015.

Unlike the Commission, which surreptitiously reinterpreted the rules, the ECB hid its reinterpretations in plain view—constantly claiming that all of its actions remained within its mandate, even as it went

from a very narrow reading of that mandate to a more and more expansive one. This, too, was challenged by the Northern Europeans in the Council, particularly the Germans. The head of the Bundesbank, Germany's central bank, testified in a German constitutional court case that the ECB lacked authority for its 2012 promise to buy Italian and Spanish debt if necessary (it turned out not to be), and initially opposed the start of quantitative easing in 2015.

The Troika, made up of the International Monetary Fund, the ECB, and the Commission (after 2013 they were called “the Institutions,” joined by the ESM) had arguably the most power and influence, and the least accountability, during the Eurozone crisis. It negotiated and administered the “conditionality programs” that subjected member states to harsh austerity and major structural reforms. Whereas the so-called normal countries benefited from an easing of the rules, the program countries—Greece, Ireland, Portugal, and Cyprus—were not so lucky. Greece, which went through three bailouts, is the worst-case example

*More volatile national
politics has constrained
EU governance.*

of what may happen when rules are reinforced rather than reinterpreted, unleashing catastrophic economic results and volatile politics.

AN ASSERTIVE PARLIAMENT

The European Parliament has also become an increasingly political actor in the inter-institutional dynamics at the top of the EU. Although the EP is neither in charge nor in control in any domain, it has nonetheless gained greater influence in EU decision-making. After having been set aside a decade ago as the Council sought to confront multiple crises on its own, the co-decision process has come back into vogue. The EP has reentered the discussion in policy areas from which it had been shut out, including Eurozone and migration policy.

In “trilogues” with the Council and the Commission, the EP has increasingly pushed its own political agendas. But even in areas where it has had little remit, it has successfully engaged in integration by stealth, extending its powers beyond the provisions of the 2009 Lisbon Treaty.

In 2014, the EP prevailed with its insistence that the leader of the majority party in the chamber be named president of the Commission, after each party nominated a candidate (known as the *Spitzenkandidat*) to lead it into the elections. That was a win for the EP over the Council, and it created a direct political link between the EP and the Commission. Although the *Spitzenkandidat* procedure was abrogated in the 2019 selection of the next Commission president, with a return to the traditional method of horse-trading in the Council, the political link between the two bodies was, if anything, reinforced by efforts to mollify the EP.

Finally, even when the EP is left out of the decision-making process, it can still play a role, whether as the EU actor to which the others go to demonstrate their accountability or through its increasingly vocal critiques of their actions. The ECB, for example, has used its mandated four yearly meetings to make the case for the legitimacy of its actions to the EP and thereby to the general public.

POLITICALLY CHARGED

The EU remains in a fragile state, with an uncertain future. The Eurozone still suffers from major

institutional weaknesses. The migration question is unresolved. Little has been done in the security realm. Although Britain’s exit from the EU is no longer in doubt, the possibility that it will crash out without a deal still threatens. Central and Eastern European countries’ drift toward democratic illiberalism has not yet been addressed effectively. And EU member states continue to be divided in their preferences, split between North and South on Eurozone governance, and between West and East (along with some of the South) on migration.

EU governance, which was long apolitical and technocratic, with disagreements handled in private and deals made behind closed doors, has become more politically charged. Differences are now debated in public, as EU actors seek to communicate more and legitimate their positions directly to citizens while signaling their preferences to one another. Greater public deliberation and debate at the EU level, however contentious, in and of itself could be seen as politically legitimizing, leading to greater mobilization of civil society and increasing media attention, which in turn may prompt better responsiveness on the part of the EU. To citizens, the back-and-forth of political contestation looks a lot more like what goes on in national democracies—especially when they feel their own views are represented, whatever the subsequent compromises.

All of this ensures that the politicization of the EU will not end any time soon. So our final question is whether politicization is a good thing or a bad thing. On the positive side, more public debate, deliberation, and contestation promise greater legitimacy for EU governance as whole, as part of the rough-and-tumble of democratic decision-making. On the negative side, increasing public contestation makes compromise and effective policymaking more difficult, and may seem to delegitimize the EU’s substantial achievements, given the sharp criticisms of its actions by one side or another in the debates. By now, however, after the Eurozone and refugee crises, and with Brexit underway, asking whether politicization is good or bad is almost beside the point. Like it or not, it is here to stay. ■