Redefining European Economic Integration

European economic integration has relied on policies intended to make the European Union strong and resilient economically, socially and politically. The Eurozone crisis and Brexit have demonstrated, however, how fragile this hope was and how contested reforms to the major European economic policies have become. Dariusz Adamski explains the evolution of these policies – from the Economic and Monetary Union to the internal market, international trade and the EU’s climate policy as well as its redistributive policies – and demonstrates how this evolution has made European economic integration increasingly frail. He shows how erroneous economic and political assumptions regarding the direction of the European integration project have interplayed with the EU’s constitutional context. Arguing that flaws in individual policies contributing to European economic integration can be remedied in compliance with the existing constitutional setup, he explains why such solutions would be economically beneficial and politically feasible.

Dariusz Adamski is Associate Professor of Law, Vice-Dean for Research and International Cooperation and Head of the Centre for European Economic Law and Governance at the Faculty of Law, Administration and Economics, University of Wroclaw, Poland. He is also a Research Associate at the European Research Centre for Economic and Financial Governance in Rotterdam and a member of the leading Polish economic think-tank Civic Development Forum (Forum Obywatelskiego Rozwoju).
Cambridge Studies in European Law and Policy

This series aims to produce original works which contain a critical analysis of the state of the law in particular areas of European law and set out different perspectives and suggestions for its future development. It also aims to encourage a range of work on law, legal institutions and legal phenomena in Europe, including ‘law in context’ approaches. The titles in the series will be of interest to academics; policy makers; policy formers who are interested in European legal, commercial and political affairs; practising lawyers, including the judiciary; and advanced law students and researchers.

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Series Editors’ Preface

At the core of our preoccupations, as Series Editors of Cambridge Studies in European Law and Policy, is the role that law has played, is playing and will play in the context of the process of economic integration that has underpinned the European Union since its inception (in the form of the European Communities) in the 1950s. Historically, engineering instruments of economic integration in order to foster growth (and to indirectly promote additional political elements of integration) has been at the heart of the success of the European integration project. Without that sense of the cake getting bigger across the board as a result of removing the barriers to internal trade, whilst promoting trade with the rest of the world as an increasingly significant global player, the European Union has struggled to maintain the consent of citizens for its incursions into the field of national regulatory and economic sovereignty.

In this book, Dariusz Adamski makes a reappraisal of where we are now and where we should be going, writing in a manner that explicitly attempts to bridge the gap that sometimes exists between what academics write and what policy makers and other stakeholders in the policy making process such as ‘think-tankers’ will read. His writing is informed by a thorough understanding of both the law and economics of the challenges that stand before us: relating to the single currency and the single market, and relating to redistribution in the context of ‘crisis’. The starting point is re-narrating the crisis of the Eurozone and attempts to fix it, but the book goes beyond this, highlighting that fixing problems of the Eurozone will not alone relieve Europe’s ongoing economic (and, of course, social) problems. The author points out the tendency of policy makers to proceed by stealth rather than
SERIES EDITORS’ PREFACE

transparently, and emphasises that this does not make sense in the long term, when there needs to be a thorough rethinking of the values and interests that underpin the economic and regulatory choices we make as societies, whilst ensuring that citizens more generally have a say in how these choices are made.

As the reality of the UK’s departure from the European Union comes ever closer, the opportunity for the EU27 to rethink in constructive ways their ‘living and growing together’ becomes clearer. Whether policy makers will decide to grasp the hard choices and make European economic integration work for the long term is not assured, but they could do worse than start by reading this lucid and strongly argued book.

Jo Shaw
Laurence Gormley
Acknowledgments

Four years ago, at the outset of the project leading me up to this point, the goal of ever completing a book on how to fix European economic integration was as elusive as its main idea. I was also unsure whether, even if I were able to accomplish this first stage, anyone would publish this book, and whether anyone would read it. After all, for decades the book’s main question had been left for politicians to answer. The thought that scholars should make forays into their domain, instead of pursuing their standard academic debates, could seem both bizarre and practically futile.

But now, in autumn 2017, when the last words of this book are being put down, I am more confident than ever that the European project desperately needs serious readjustments, if it is to avoid future crises endangering its very foundations. The vast body of diligent scientific work in various fields has laid stable foundations for our collective wisdom on what has gone wrong in the past decades of this extraordinary integrationist experiment. This foundation is incomplete, no doubt about it, but much more reliable and more telling than is often admitted. Genuine European integration meeting needs and expectations of Europeans is possible, if only politicians are not allowed to ignore this collective wisdom.

I would never have been able to put together the multitude of puzzles comprising my contribution to it without the extraordinary people I have met. Some of them taught me how to write and how to think creatively. They taught me that science without passion is superfluous and unconvincing. In this respect I am particularly grateful to Charlie Nesson from Harvard, to my old friend from the New York Law School,
ACKNOWLEDGMENTS

Mike Botein, who regrettably passed away last year, and to Wolfgang Kilian from Hannover University. Editors of leading European law journals – especially Stefaan Van den Bogaert and Alison McDonnell (Common Market Law Review) as well as Agustín Menéndez (European Law Journal) – have also been extremely encouraging for my thinking about the topic of this book. Several of its arguments were previously published in their journals.

Contrary to my original concerns, the vast majority of those who have become familiar with my research have found its constant zigzagging through various fields and the tendency to go against prevailing conventions to be an asset. It has helped build various productive ties; those with Fabian Amtenbrink and René Repasi from Rotterdam University have become particularly strong and friendly.

My acquaintance with Leszek Balcerowicz, who is one of the most extraordinary people I have ever met, the best known contemporary Polish economist and the architect of the Polish transformation in 1989, has also been extremely stimulating. He taught me that in politics – the area on which the future of European integration critically hinges – far-sightedness based on scientific excellence, devotion to the common good and personal integrity are not as infrequent as I would otherwise think. He may disagree with some of this book’s arguments on their merits, but his scientific curiosity and excellence have profoundly determined my approach.

I am also grateful to Cambridge University Press for its receptive acceptance of the book proposal. Fortunately, the fact that it is not on law and policy only was no impediment for the series editors and reviewers. The Polish National Science Centre, which supported my research with two grants (UMO-2013/09/B/HSS/04179 and UMO-2015/18/M/HSS/00252), was also helpful in pushing me through the moments of creative despair.

My editors at Cambridge University Press, Kim Hughes, Sharon McCann and Gemma Smith, have helped bring the project to this point. Katarzyna Parchimowicz provided diligent research assistance and Daniel Ross chiselled my English. Dima Zverev kindly agreed to put his beautiful and metaphoric picture on the cover of the book. Witek Wójtowicz and Yulia Ladyzhenko made it happen. I appreciate it all.

The idea of writing this book was born soon before my youngest daughter – Mila – joined us. So she does not know her father as anyone
other than a routinely abstracted and intellectually exhausted person. I am extremely happy she will learn another me now. And more than anything, I am grateful to my wife, Agnieszka, and our two older daughters, Iga and Pola, for their love, smiles and patience throughout these years.
Abbreviations

ABSPP Asset-Backed Securities Purchase Programme
APP Asset Purchase Programme
CAC Collective Action Clause
CAP Common Agricultural Policy
CBPP Covered Bonds Purchase Programme
CEPS Centre for European Policy Studies
CJEU Court of Justice of the European Union
CMU Capital Markets Union
CSPP Corporate Sector Purchase Programme
DBP Draft Budgetary Plan
DIF Deposit Insurance Fund
EBA ‘Everything But Arms’ trade preferences scheme
EC European Commission
ECB European Central Bank
EEC European Economic Community
EFSF European Financial Stability Facility
EFSI European Fund for Strategic Investments
EFSM European Financial Stabilisation Mechanism
EFTA European Free Trade Association
ELA Emergency Liquidity Assurance
EMFF European Maritime and Fisheries Fund
EMU European and Monetary Union
ERDF European Regional Development Fund
ESCB European System of Central Banks
ESF European Social Fund
ESIFs European Structural and Investment Funds
ESM European Stability Mechanism
ABBREVIATIONS

ETS  Emissions Trading System
EUBS  European Unemployment Benefits Scheme
FDIC  Federal Deposit Insurance Corporation
GATT  General Agreement on Tariffs and Trade
GDP  Gross Domestic Product
GHG  Greenhouse Gases
GNP  Gross National Product
GSP  Generalised Scheme of Preferences
GSP+  Generalised Scheme of Preferences, special incentive arrangement for sustainable development and good governance
HICP  Harmonised Index of Consumer Prices
ICTs  Information and Communication Technologies
IMF  International Monetary Fund
ISDS  Investor-State Dispute Settlement
LoLR  Lender of Last Resort
LTROs  Long-Term Refinancing Operations
MoU  Memorandum of Understanding
NCB  National Central Bank
NEET  Not in Education, Employment or Training
NGOs  Non-Governmental Organisations
OECD  Organisation for Economic Cooperation and Development
OMC  Open Method of Coordination
OMT  Outright Monetary Transactions
PSI  Private-Sector Involvement
PSPP  Public Sector Purchase Programme
R&D  Research and Development
SGP  Stability and Growth Pact
SMEs  Small and Medium Enterprises
SMP  Securities Markets Programme
SRF  Single Resolution Fund
SRM  Single Resolution Mechanism
TARGET  Trans-European Automated Real-time Gross Settlement Express Transfer
TEC  Treaty establishing the European Community
TEU  Treaty on European Union
TFEU  Treaty on the Functioning of the European Union
TFGR  Task Force for Greece
TLTROs  Targeted Long-Term Refinancing Operations
ABBREVIATIONS

TPP      Trans-Pacific Partnership
TTIP     Transatlantic Trade and Investment Partnership
VAT      Value Added Tax
VLTROs   Very Long-Term Refinancing Operations
WEF      World Economic Forum
WTO      World Trade Organization
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Charter of Fundamental Rights of the European Union.
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