1 Introduction: The European Union as a Political Regime, a Set of Policies and a Community after the Great Recession

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1.1 Introduction

Regional integration in Europe has never followed a clear path. Instead, it developed as a result of a succession of painful negotiations and compromises, followed at times by moments of political enthusiasm marking historic decisions. Over the last decades, the widening and deepening of integration has gone hand in hand, to varying degrees, with mounting popular discontent. Attempts to create unity and to make the EU more akin to a federal state have received little support or have failed. Rather than putting pressure on elites to transfer power to a higher level of governance, as predicted by neo-functionalists in the 1950s, from the 1990s onwards some political parties and citizens alike have called for 'less Europe'. Mainstream as well as peripheral political parties have increasingly amplified criticism of the EU but have failed to undertake the pledged grand reforms of the Union, thus feeding discontent and claims to disintegration. This trend came to a dramatic climax when, on 23 June 2016, a majority of British people voted in favour of the United Kingdom's exit from the EU.

And yet, these powerful centrifugal forces have not meant that EU integration has come to a complete halt. In many areas such as environmental policy, trade, monetary policy and banking, migrations and borders, the EU has proven de facto the relevant level of government, calling for more joint action. While federalist ambitions have been abandoned, the way has been paved for closer cooperation, though with limited transfer of new competences from the member states to the supranational institutions. As a result, the EU has kept deepening its scope and depth in reaction to multiple crises, thereby demonstrating its ability to constantly adapt to sudden disruptions and social and political changes. At the same time, it has become very difficult for European politicians both in Brussels and in the capitals to hide the fact that integration by stealth is continuing, albeit at slower pace. Although the technicalities of EU policy-making remain opaque for the vast majority of European citizens, citizens increasingly contest, more or less directly, the implications of collective decisions (or the absence thereof) made at EU level. Paradoxically, while the EU is seen by many as an ineffective and illegitimate political system, according to the 89 Eurobarometer in 2018 Europeans trust the EU more than their national parliaments and governments. Put in theoretical terms,[1]

[1] For a comprehensive overview on theories of EU integration and the EU's crises, see Brack and Gürkan (forthcoming).

the EU therefore seems trapped in the functional vs. post-functional contradiction. Global problems entail constant pressures for more integration and spillovers between various policy areas, as neo-functionalists have predicted. At the same time, though, popular resentment about the effects of such Europeanisation is increasingly voiced by national elites. Because EU integration is perceived as the source of economic and cultural insecurity by the less well-off citizens, it has crystallised as a transnational political and social cleavage governing the transformation of party systems across Europe (Hooghe and Marks, 2018). This, post-functionalist scholars have been arguing, will determine the pace and shape of EU integration and can result in policy renationalisation or, considering Brexit, even polity disintegration.

In the following pages, we come back to the manifestations of the EU 'polycrisis' which have affected the EU over the past decade (1.2). Then, we discuss the effects thereof on the three constitutive dimensions of the Union, namely the EU's political regime (1.3), policy-making (1.4) and political community (1.5).

1.2 Integration through Crises

Since the establishment of the three European Communities in the 1950s, the deepening and widening of the EU have been shaped by crises. Although several authors have pointed out that this word is not a useful analytical category to understand and explain the path of EU integration, as Seabrooke and Tsingou put it, 'crisis talk is part of the everyday life' (2018: 1), in particular in EU politics. Crises are often invoked in political and academic debates to refer to a variety of situations, ranging from forms of adversity to the integration process to its viability per se. Following dictionary definitions, a crisis is generated by hard times, by difficulty, distress, reversal, catastrophes and calamity. A crisis is a problem in need of a solution, which can mark, in turn, a critical challenge at a decisive point in time. Crises can be slow- or fast-burning, defined not only by their tempo and intensity, but also by how they are perceived by citizens and political actors (Seabrooke and Tsingou, 2018: 10). Fast-burning crises are 'instant and abrupt shocks, such as plane hijacks or "run of the mill" natural disasters communities can cope with', while slow-burning ones 'are gradual and creeping, such as protracted guerrilla warfare or environmental crises, where there is political and scientific uncertainty about how to resolve the issue' (Seabrooke and Tsingou, 2018: 3). Some crises are like a 'tornado', with causes and solutions unfolding over a short time period, while others look more like an earthquake, with causes that are slow moving, followed by a 'quick' outcome (Pierson, 2004: 178). Importantly, crises may be 'real', as in material damages in natural disasters, or they may be constructed politically.

The evolution of the EU has been punctuated by moments of political and social consensus (or social indifference), and alternatively by moments of tension and conflict. Crises or critical junctures open a window of opportunity when institutional/policy change becomes possible. Critical junctures are 'choice point[s] when a particular option is adopted among two or more alternatives [...] Once a particular option is selected [in a critical juncture], it becomes progressively more difficult to return to the initial point when multiple alternatives were still available' (Capoccia and Kelemen, 2007: 347). While some crises or junctures are triggered by cumulative/gradual causes, others are generated by shocks or abrupt factors.

Section 1.2.1 provides an overview of critical junctures as well as small and big crises that have marked the evolution of the EU since its origins. It shows that since the beginning of the integration process, failure and success have been all part of the same game (Jones, 2012: 55). However, over the last decade the EU has been facing a series of simultaneous crises, which seem to be different from the ones that traditionally shaped the integration process. Not only have they occurred concurrently, they have also put under considerable strain both the viability and legitimacy of the integration process.

1.2.1 Six Decades of Integration: Two Critical Junctures and a Series of Many Other Small and Big Crises

Two critical junctures and a series of other small crises marked the course of EU integration from 1950s to 2000s. As Fabbrini put it, at the origins of the integration process there is a critical juncture that 'started with the redefinition of power relations between nation states on the European continent' (2015: xxv). By signing the Treaty of Paris in 1951 – leading to the establishment of the European Coal and Steel Community (ECSC, entered into force on 24 July 1952 for a fifty-year validity period) – and the Treaties of Rome in 1957 (entered into force in 1958) – establishing the European Economic Community (EEC) and European Atomic Energy Community (Euratom) – the six founding member states agreed to pursue a process of sectoral integration, which would ultimately lead to a common economic market (see Chapter 2). It was expected that after the establishment of the ECSC – which placed the production of coal and steel under a common High Authority to avoid war on the European continent – the process would move to new phases of sectoral economic integration, including agriculture and transport. The Treaty of Paris put in place a supranational structure of decision-making, vesting the High Authority with significant powers to uphold the supranational principle and the Council to defend the interests of the member states. In contrast, the Treaties of Rome – because of the ambition to create a common market as an area of a free movement of persons, goods, services and capital – established an institutional framework in which the power of the European Commission to initiate legislation was counterbalanced by the power of the member states, brought together in the Council. Against this backdrop, the six signatories of the Treaties of Rome agreed to establish a set of supranational institutions (the Court of Justice of the EU, the Parliamentary Assembly and the European Investment Bank (EIB)) as well as a consultative body (the European Economic and Social Committee) to implement the customs union and the common market and to develop at the supranational level a series of policies such as agriculture, transport, competition, commercial policy, etc. In doing so, member states agreed to delegate and pool sovereignty in supranational institutions in order to secure substantive agreements in their national interests (Keohane and Hoffmann, 1991).

The integration project was an ambitious one. Resistance emerged from the onset, slowing down its path to accommodate the diversity of interests and preferences (see Chapter 2). In 1954, France voted to table the ratification of the European Defence Community (EDC). The French Assembly was opposed to the idea of a rearmed Germany, even within the EDC. After the French negative vote, several French intellectuals announced the end of the European project (quoted by Jones, 2012: 53). But 1954 was not the end. The death of European integration was announced prematurely, although with the refusal of France the hopes for an EDC fell. Even before this the ECSC had been established, and its institutions were to become those of the EEC agreed only a few years later.

Forms of social and political resistance were apparent from the early years of the integration process. While the establishment of the EEC was possible thanks to the political support expressed by the ministers of foreign affairs of the six founding member states, the three communities designed to pacify the continent were perceived with scepticism by citizens and other political actors. One day after the signature of the Treaties of Rome, on 29 March 1957, the French communist newspaper *L'Humanité* portrayed social harmonisation within the common market as a measure that would bring down the standard of living of the French working class to the lowest common level. Nonetheless, these forms of resistance did not engender 'crises' until the 1960s when the French president, Charles de Gaulle, balked at measures proposed by the Commission that entailed potential reductions to national sovereignty while further empowering the Commission. Two visions were in tension: a supranational and an intergovernmental one. On the one hand, Walter Hallstein, who served as president of the Commission from 1958 to 1967, was seeking to strengthen the supranational construction, by empowering its institution, by establishing for the EEC a system of 'own resources' instead of member states' contributions and by using qualified majority voting (QMV) in the Council on a limited number of policies. In contrast, Charles de Gaulle was eager to maintain unanimous decision-making on issues that might affect French interests or sovereignty, such as proposed revisions to the emerging Common Agricultural Policy (CAP). Hallerstein's supranational vision clashed with the intergovernmental

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plan favoured by Charles de Gaulle, who was against any attempt to enhance the powers of both the European Commission and the Parliamentary Assembly (as well as its election by direct universal suffrage). These incompatible visions on how to adopt decisions at the European level gave rise to the 'empty chair crisis'. France withdrew its participation in the Council for six months. It recalled its minister and permanent representative from Brussels and stopped attending the Council meetings and its subcommittees from 30 June 1965 to 30 January 1966. This 'crisis' was solved by the Luxembourg Compromise signed in 1966, which stated that in case of the vital national interests of one member state, the Council would seek to find a consensus solution, creating a de facto veto right.

Not only has deepening of European integration been shaped by crises, but also its widening. The United Kingdom – which in the 1950s was against the establishment of a supranational construction like the ECSC, although it was the main producer of coal and steel – became interested in the 1960s. However, its accession demand introduced in 1961 was refused by de Gaulle, who vetoed it in 1963 and in 1967 on the grounds of weak commitment to contribute to the development of the political and economic European integration due to UK's links with its Commonwealth and to its close cooperation with the United States. De Gaulle feared that the European Commission 'would not endure for long [but] instead would become a colossal Atlantic community under American domination and direction' (de Gaulle, 1963). This 'would obviously mean the breaking up of a Community that has been built and that functions according to rules which would not bear such a monumental exception' (de Gaulle, 1967: 34440). The first enlargement was postponed until 1973, when the UK, Denmark and Ireland joined the Communities, while Norway decided to withdraw from the final negotiation stage.

While in 1969 the political elites of the six founding member states announced their ambition to relaunch the integration process, to widen and deepen it, the 1970s were marked by the quadrupling of oil prices, unemployment and inflation. The attempts to establish the Economic and Monetary Union (EMU), outlined by Luxembourg's prime minister, Pierre Werner, in a report (known as the Report Werner) in 1970, failed. The French president Georges Pompidou was against this plan, although in favour of monetary cooperation. The economic and monetary ideas promoted by France and Germany appeared to be irreconcilable. These were not only areas of protected sovereignty; these areas were also characterised by an increased diversity among member states. As a result, in the 1970s, despite various attempts to strengthen policy coordination, 'the integration process failed to help governments to respond to the international economic crises of that decade' (Fioretos, 2012: 297).

After the accession of Spain, Greece and Portugal in the early to mid-1980s, the Single European Act (SEA) marked the first revision of the treaties, signed in Luxembourg on 17 February 1986 by nine member states. It was adopted to launch the single market programme under the leadership of Jacques Delors, president of the European Commission for two consecutive terms (1985–95). This first revision of the treaties extended the Community's powers to new areas of decision-making activity, such as economic and social cohesion, social policy, research and technological development, environment, monetary policy, as well as cooperation in the field of foreign policy. It also changed the institutional setup through the extension of the QMV to new policy areas, including the internal market, social policy, economic and social cohesion, research and technological development and environmental policy. The SEA's major aim was the implementation of the single market through the adoption of 300 pieces of legislation, intended to remove the remaining physical, technical and fiscal barriers to the free movement of people, goods, services and capital.

While the SEA accelerated the path of integration through market-related policies, by adopting the Maastricht Treaty, the Communities – hereafter the EU – entered a new stage. According to Fabbrini, after the end of the Cold War and the reunification of Germany, this moment marked the second critical juncture (2015: xxvi). To make politically possible the 'return to Europe' of the former communist countries, member states agreed to proceed to a new revision of the treaties. While Central and Eastern Europeans were celebrating the collapse of communism and the dismantlement of the Berlin Wall, which separated the continent for more than five decades, in Western Europe mobilisations against EU integration grew bigger. In the 1990s, it became clear that the era of the permissive consensus – in which treaties were negotiated behind closed doors and unquestioned by Europeans – had come to an end. While at the international level, Western political elites were foreseeing a new role for 'Europe' in the world, internally the new revision was envisaged to tackle the mounting criticism related to its democratic deficit. Thus, to democratise the Union, the Treaty of Maastricht granted new powers to the European Parliament (EP) as co-legislator with the Council, recognised the role of the European political parties at the EU level, introduced European citizenship and established the Committee of the Regions. To allow those in favour of pursuing an ever closer union to advance, it introduced a weak form of the enhanced cooperation procedure (which would allow a group of countries to deepen their integration in policy areas where agreement by all member states was not forthcoming). The treaty also allowed the extension of the decision-making competences to a wide set of policies, including various sensitive areas located at the core of the state powers such as economic governance, justice and home affairs, social and employment as well as foreign and security policies (Puetter, 2014). At Maastricht, political elites decided to establish the EMU and the introduction of the euro, a strong political symbol of their will to deepen integration.

Again, despite these political ambitions the ratification of the Maastricht Treaty faced strong opposition in Denmark, where on 2 June 1992 the Danes rejected it in a referendum, with 50.7 per cent of the record turnout of 83 per cent. The treaty was ratified only after renegotiating Denmark's participation in the EU's policies and obtaining opt-outs for some specific parts of the treaty, including the EMU, Justice and Home Affairs and Common Defence Policy. Some argued that the Treaty of Maastricht was collapsing because of its rejection in Denmark and because of the little 'oui' (50.8 per cent in a referendum held in September 1992) obtained in the French referendum. Nonetheless, it entered into force after renegotiations to accommodate specific national interests. The Maastricht moment was followed by a new wave of enlargement to include Austria, Sweden and Finland in 1995; Cyprus and Malta in addition to eight former communist countries in 2004 (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia); followed by Romania and Bulgaria in 2007 and Croatia in 2013.

How to accommodate the interests of an increasing number of member states became a growing problem. In 1997, in Amsterdam, political elites failed to agree on a new institutional architecture to prepare the functioning of the EU with more than fifteen member states. The composition of the European Commission (in which big member states were able to designate two commissioners) and of the EP (whose number of Members of European Parliaments (MEPs) was about to double from 434 in 1989 to 751 in 2009), as well as the weight of voting rights in the Council, were at stake and important matters were all negotiated behind closed doors. The intergovernmental method, which in the past allowed member state representatives to revise the treaties, was contested not only because of its lack of transparency, coherence and global approach, but also because of its inability to satisfy diverging and increasingly numerous interests. Taking decisions for the people, but without the people, was no longer possible.

1.3 2000s: The Decade of Crises

The Treaty of Nice did not solve the institutional issues unsolved at Amsterdam. In 2001, the Laeken Declaration of the heads of state and government emphasised the need of substantial reforms to clarify the competences of the EU, to simplify its legislative procedure and to ensure the effectiveness of the decision-making process. These issues were discussed from February 2002 to July 2003 by the European Convention, a broad consultative forum which brought together representatives of member states' heads of state and governments, candidate countries, national parliaments, national parliaments of the candidate countries, as well as representatives of the EP, the Commission, the European Economic and Social Committee, the Committee of the Regions, European social partners and the European Ombudsman.

Drawing on the work of the European Convention, on 29 October 2004 political elites signed the Treaty Establishing a Constitution for Europe (TEC) in Rome. It sought to strengthen the bonds among the people of Europe and to clarify the competencies of the EU, and in so doing to reduce the increasing gap between the EU and its citizens. It granted the EU a single legal personality; it also extended QMV in the Council, reduced the size of the Commission, established a permanent presidency for the European Council and proposed the establishment of a minister for foreign affairs.

But the TEC was difficult to sell. It gave rise to protests in several countries. France and the Netherlands rejected it by referendums in 2005, which spelled its doom. The treaty went too far in its ambitions. While in the Netherlands citizens feared new rounds of enlargement, in France citizens vetoed the emergence of a 'too liberal Europe'. Following the 'neen' of the Dutch and the 'non' of the French citizens, political actors and observers alike deplored the effects of this new 'crisis'. There was no plan B on the table. 'Saying no to the Constitution means blocking the progress of the EU, it's a no to Europe', said Jacques Delors. The end of the political union was again announced. The TEC witnessed a new renegotiation to accommodate a variety of interests, including those of the new member states from Central and Eastern Europe. While the old member states were divided on institutional issues, the new ones insisted on inserting the EU's Christian heritage in the treaty, as one of the common foundations of Europe. Hence, it took three more years to sign the Lisbon Treaty on 13 December 2007. Most of the provisions which gave rise to contestation – such as the symbols of the EU – were eliminated. Despite this, the Treaty of Lisbon was rejected by Irish citizens in 2008, to ultimately enter into force 1 December 2009.

Since then, the EU has faced a series of new crises. In 2010, the eurozone crisis opened a third critical juncture that also opened up the possibility 'to redefine the institutional and policy features of the EU' (Fabbrini, 2015: xxvii). The turmoil surrounding the 2010 eurozone crisis put the EU's legitimacy at risk and created expectations for major institutional and policy change. However, as most of the chapters in this volume will show, instead of generating radical policy and institutional change, the dramatic impact of the eurozone crisis ended up reinforcing the path-dependent logic (2015: xxvii) of institutional and policy development. Although the narrative of change was central to the political discourse at the time, with debates about what to do offering a wide range of innovative ideas for solving the crisis, innovative change was in short supply in the end. Despite the 'hot' context following the financial and macroeconomic crises (Dyson and Quaglia, 2010), as several chapters in this book will show, EU institutional actors responded with lowest-common-denominator solutions through the reinforcement of long-standing neoliberal and ordoliberal ideas (Schmidt, 2010, forthcoming; Gamble, 2013).

1.3.1 The Eurozone Crisis

The origins of the eurozone crisis can be explained in many ways. As mentioned in Section 1.3, the first attempts to establish an economic and monetary union in the 1970s failed. Only in the 1990s did EMU, as enshrined in the Treaty of Maastricht, set the stage for the move towards a common currency under the rules of the Stability and Growth Pact (SGP). On the one hand, monetary policy was centralised with decisions taken at the supranational level by the European Central Bank (ECB), while on the other, economic policy was subject to coordination among member states. EMU gave rise to two processes of coordination: one top down, due to the ECB's monetary policy, and another bottom up, occurring in structural reforms to labour markets and welfare states (Dyson, 2000: 652; Featherstone and Papadimitriou, 2008). While monetary policy was centralised and defined by the ECB, labour market, wage policy and welfare state reforms took different forms reflecting the staying power of individual traditions (Dyson, 2000: 660), embedded in different models of capitalism with different employment, market and economic structures (Schmidt, 2002). EMU placed limits on public deficits and debts, depriving governments in the eurozone of currency devaluation. As a result, from the very beginning EMU faced collective action problems in fiscal policies (notably the crisis of the SGP in November 2003) and in economic reforms (especially in labour markets), where responsibility remained at the national level (Dyson, 2008: 2). In 1993, the currency crisis showed that the majority of governments would not be able to meet the convergence criteria by the 1997 deadline. By 1997, five member states had already been 'excused' for failing to bring their budget deficits under 3 per cent of gross domestic product (GDP) or their public debt down 60 per cent of GDP. In 2002, it clearly appeared that member states were unlikely to introduce structural reforms. As many observers argued, since its entry into force, the SGP has been a pact of 'wobbly stability' (*Politico*, 25 September 2002). As Jones et al. put it, 'this sequential cycle of piecemeal reform, followed by policy failure, followed by further reform, has managed to sustain both the European project and the common currency' (2016: 1010). Neither at its beginning, nor prior to 2010, did member states ever follow its rules *à la lettre*. These slow-moving causes of policy failure in the EMU did not generate change in the eurozone's institutional framework or policy ideas prior to 2008. EU institutional actors seemed to be into a 'zone of indifference' and continued to perform their tasks until the eurozone crisis forced them to revise their practices and ways of doing (Lefkofridi and Schmitter, 2014: 13; 2015).

In 2008, the European Commission noted anomalies in the Greek fiscal accounts (Jones, 2012: 60). In December 2009, the Greek government admitted that its debt had reached €300 billion, which was the highest in modern history. Its debt amounted to 113 per cent of GDP, which was double the limit (60 per cent) established by the SGP. In 2010, the problem turned into the Greek sovereign debt crisis, which threatened the very existence of the monetary union. Some argued that the Greek crisis also revealed a crisis of solidarity because of the rising tensions between creditor and debtor countries within the EU. As the contagion spread beyond Greece, also affecting Spain, Portugal and Ireland, the International Monetary Fund (IMF) director, Christine Lagarde, urged countries to act together to keep economic recovery on track. In 2011, the president of the European Commission, José Manuel Barroso, declared that the EU was facing 'its greatest challenge' (28 September 2011). Against this backdrop, it clearly appeared that the Maastricht Treaty did not prepare for the risk that a member state could experience this kind of deep fiscal distress.

Only when the problems reached a critical level in 2010 did change in the EU's modes of governance and policy became inevitable. As the chapters in this book will show, this peak in the eurozone crisis generated a 'quick' institutional outcome in the first 'three crucial years' of the crisis that have been seen as a turning point calling for a redefinition of the EU's economic governance. A new window of opportunity opened up in which EU institutional actors sought to address the failures of EMU and its policy tools. Their reform of the eurozone area focused on strengthening the rules on fiscal discipline, by adopting new ones to prevent macroeconomic imbalances, by improving the coordination of macroeconomic policies and by putting in place mechanisms of financial assistance (Fabbrini, 2015; Bickerton et al., 2015). As Jones et al. argued, 'the series of incremental reforms adopted sequentially in response to the crisis – steps including the establishment of bailout funds, tightening fiscal surveillance, and moving towards banking union – has led to one of the most rapid periods of deepening of integration in EU history' (2015: 3). Austerity and structural reform appeared as the only way forward (Schmidt, 2010; Gamble, 2013; Blyth, 2013; Matthijs and Blyth, 2016; Crespy and Vanheuverzwijn, 2017). The eurozone crisis, which entered its fast-burning phase in 2010 with the beginning of the Greek crisis, ended in 2012 with Mario Draghi's declaration that the ECB will do 'whatever it takes to save the Euro' (Schmidt, 2015, 2016).

But this was not the end of this crisis. At the domestic level, the decisions taken to save the euro have had dramatic effects both for policy and politics. To reduce public spending in the countries affected by the crisis, EU institutional actors decided to decrease public investment and to increase taxation, to freeze labour benefits, to raise the retirement age and to cut pensions, and to massively reduce the number of jobs in the public sector. These decisions gave rise to massive protests and to the emergence of new populist parties that moved from the margins of the political arena to the centre, with their election to governmental positions. The eurozone crisis brought a widening gap in prosperity between the eurozone's core and periphery members. While some countries of Europe's northern core – such as Germany, Luxembourg, Belgium, the Netherlands and Austria – saw their economies recover