
Artur Staszczyk

DISPUTE OVER EUROPEAN UNION AND EUROZONE CRISIS IN THE LIGHT OF SELECTED THEORIES OF EUROPEAN INTEGRATION

Keywords: European Union, eurozone, theories of European integration, debt crisis.

ABSTRACT: The study tackles the issue of applying respective theories of European integration to explain the processes occurring in the EU, and in particular, in the debt-wrecked eurozone. In the author's view, the eurozone crisis revived the dispute over the shape of EU. On one hand, it is the supranational neofunctionalism and on the other, state-centric intergovernmentalism views clashing with one another. The author believes that the key theory that successfully explains the member states' behavior in face of eurozone crisis is the intergovernmentalism theory. It assumes the primacy of nation-state and its interests in the process of European integration. This is particularly apparent in the time of crisis when supranational mechanisms typical of neofunctionalist theory serve solely the purpose of legitimizing national interests of the economically strongest EU members.

The aim of this paper is to verify the applicability of selected theories of European integration, in particular the theories of neofunctionalism and intergovernmentalism, to the description of the dispute in EU over the ways out of the eurozone crisis. The discussion about the shape of European integration dates back at least to the end of the second world war which catalyzed the return of the idea of European unity. The fiasco of nationalist politics and the discreditation of the role of nation-state as the basis of political organization and international order made the views that urged for creation of vast continental community, which would ensure

economic development and life in peace to its members, increasingly popular. This idea was strongly reflected in the political vision of an Italian federalist Altiero Spinelli, who called for the establishment of the United States of Europe as a *sine qua non* condition ensuring the stability of post-war order in Europe.¹ In his view nation-states were not able to guarantee political and economic safety, and moreover, they ceased to represent the society since they had bred fascism and ultimately led to the outbreak of the second world war. For this reason he advocated that the EU should be created directly by its people, and the directly-elected Constituent Assembly should draft and adopt a European constitution, to be later on ratified in a referendum. Also Monnet believed that true cooperation cannot be realized in Europe divided into sovereign states.² Adoption of Spinelli's integration model meant that a European federation must be created as a starting point for further integration. By contrast, Monnet endorsed a model of gradual transfer of sovereignty, a gradual adoption of federalist solutions through building close ties between countries, a view supported by many western politicians that became the grounds for the establishment of European Communities.³ Monnet believed that the goal of European federation could be achieved through cooperation of economic institutions which would in turn call to life new pan-European structures. In his opinion for the evolution of European integration process it was imperative to create a system of common rules and institutions that would include new states and socio-economic areas of life. This was supposed to result in a gradual formation of European federation, backed up by societies and being the capstone of existent economic, political and social reality.⁴

¹ M. Cini, *Unia Europejska – organizacja i funkcjonowanie*, Warszawa 2007, p. 32.

² J. Czaputowicz, *Teorie stosunków międzynarodowych. Krytyka i systematyzacja*, Warszawa 2007, pp. 120–121. Cf. P.J. Borkowski, *Federalizm a budowanie jedności Europy*, „Studia Europejskie” 2006, No. 2, pp. 87–99.

³ A. Zielińska-Głębocka, *Dynamika Unii Europejskiej w świetle teorii integracji*, „Studia Europejskie” 1999, No. 3, p. 13.

⁴ P. Konopacki, *Dylematy federalizmu europejskiego*, „Studia Europejskie” 1998, No. 4, pp. 85–86.

Federalism as a European integration theory assumed a gradual transfer of sovereignty of national governments to supranational institutions through a series of formal and legal measures, as well as the establishment of common institutions such as the European government accountable to the European Parliament holding legislative powers. Under this theory, the importance of supranational cooperation as an antidote to nationalism and conflicts was emphasized. According to Robert Schuman, this cooperation did not preclude the concern for national interest, albeit with the reservation that pursuing thereof would not lead to antagonisms and conflicts.⁵

The assumptions made by federalism, and in particular the negation of nation-state dominance in the system of international relations placed this theory in opposition to the realist paradigm which was taking shape at exactly the same time and which was a response to the inter-war idealism claiming that the state's goal is to accumulate as much power as possible, since its position in the inherently aggressive international system is dependent on that. According to realists this system, with inherent violence and wars, is anarchic and generates conflicts in interstate relations and rivalry between states, which have to individually ensure their own security and strive for survival through restoring the balance of power or gaining hegemony over others. Pursuant to the realist theory, state's sovereignty is a central category which means that only a government pursuing national interest can represent the policy of the state, which is the most important and fundamental actor of international relations.⁶

Realists assumed that the Europe's integration process was triggered by the cold-war rivalry between USA and Soviet Union, necessitated by the need to oppose communism, which resulted in replacing the power logics pervading mutual relations with a joint power front put up against external threat.⁷ On the other hand, neorealists explain integration as the result of the actions taken by states, which participate in the process reluctantly since it limits their autonomy, yet they are performed to form regional

⁵ J. Ruskowski, *Wstęp do studiów europejskich*, Warszawa 2007, pp. 136–137.

⁶ J. Czapotowicz, *Teorie...*, pp. 58–59.

⁷ *Ibidem*, p. 329.

groups to increase their power and ensure state security and a sphere of influence. According to the realist theory, the process of expanding the Union is aimed at averting any potential threat to main European states and expansion of their sphere of influence.⁸

Doubtlessly, the realist approach played a significant role in the integration process. Progress in the creation of supranational community such as EU, which resembles an incomplete federation or federation *in statu nascendi*, would not be possible without the strong will of national governments which perceive federal solutions as favorable or at least not inimical to the state's interest they represent. However, the process of deepening European integration which was accelerated by the Maastricht Treaty has rendered the realist approach insufficient as an explanatory theory. Other liberal theories seem to be more insightful for the understanding of ongoing integration processes.⁹ Among the most important theories is neofunctionalism which assumes that cooperation on the European level (supranational) is the core of the spill-over logic, which means that political actions in one sector may "spill over" to another sector causing or contributing to the occurrence of initially unintended or unforeseen side effects. Integration within one sector tends to spread to other sectors on the European level, that is to further expansion of integration whose beneficiary are European institutions growing in power and influence.¹⁰ In result of the spill-over supranational central European institutions (supranational power) come into being, onto which sovereign competence is transferred by nation-states. Ernst Haas claimed that supranationality advocated by neofunctionalism is created through a process in which actors shift their loyalty, expectations and political actions towards a new center, and ultimately the process results in the formation of a political community situated beyond the existent ones, capable of not only managing competence

⁸ Ibidem, p. 353.

⁹ Ibidem, p. 332.

¹⁰ J. Ruzzkowski, *Ponadnarodowość w systemie politycznym Unii Europejskiej*, Warszawa 2010, p. 54.

it was entrusted with, but also of creating new values.¹¹ In Haas' opinion, states that joined in this new political community will stop acting as autonomous decision makers since they will no longer be able to perform their duties regarding the realization of social good. Put in life, this was supposed to mean disappearance of the nation-state dominance in the process of European integration and limitation of the role of national governments in the decision processes in favor of other elites and interest groups.¹²

The second important EU integration theory, intergovernmentalism, emphasizes confederal features. This theory has its roots in realist theory with regard to international relations since it assumes that states are the central actors of international politics acting in an anarchic environment characterized by lack of supreme power that would be able to impose political decisions. The intergovernmental theory claims that there is a strict correspondence between the functioning of EU and international policy, since nation-states remain the dominant actors also with regard to integration. The integration process itself is the result of rational negotiations between national governments whose attitude towards integration is defined through the prism of diverse traditions, political cultures, identifications, bureaucratic systems and geopolitical interests. The progress made towards integration does not reduce the role of nation-states; just to the contrary – enhanced integration strengthens their position. It is so because nation-states, operating under the framework of European structures, are able to jointly face international competition, external threats and challenges. Nations-states, driven by their own national interest, do not allow integration to spill-over to sectors defined as essential for the state's sovereignty. This implies that in such areas as e.g. foreign policy or security policy, the competence of supranational institutions remains very limited.¹³ The intergovernmental theory takes into account the significance of international tenders for inte-

¹¹ Ibidem, p. 55.

¹² P. Konopacki, *Neofunkcjonalistyczna teoria integracji politycznej Ernsta Haasa i Leona Lindberga*, „*Studia Europejskie*” 1998, No. 3, pp. 109 and 114–115.

¹³ J. Pollak, P. Słomiński, *Das politische System der EU*, Wiedeń 2006, pp. 59–61.

gration dynamics and asserts that the European system requires continuous compromise and negotiations between states, or else, mediations by supranational institutions, albeit it places the main focus on the phenomenon called “shaping national preference”. The biggest contributor to this theory is Andrew Moravcsik, author of the intergovernmental liberalism concept (liberal intergovernmental cooperation). In his view, the integration theory cannot overlook the specific and very diverse national preferences underlying the states’ attitude to integration. Each state has a specific system of shaping national preferences, as well as a mechanism that secures these preferences in an international cooperative setting. National interests are communicated by state governments to external partners in the process of negotiation and cooperation. European cooperation means regular, continuous confrontation of state’s own preferences with preferences of other states and this is why the essence of integration is to set up institutional frameworks that allow for intergovernmental tenders and coordination of national actions. This process determines the attitude of individual states to the integration dynamics and determines the conditions under which national governments agree to delegate their competence to supranational institutions. Moravcsik thus believes it is imperative to include national preferences and international interactions in the research on evolution of European integration.¹⁴

The theoretical dispute between supranational neofunctionalism and state-centric intergovernmentalism, which in a way reflects the dispute dominant in the international relations discourse between neoliberalism and neorealism, contributed significantly to the theoretical explanation of regularities that govern European integration process. The discourse between these two theories may be narrowed down to a discussion held by supporters of intergovernmentalism and supranationality in the integration process. There is no doubt that European integration is the area where supporters of intergovernmental and supranational cooperation clash. We may assume that the dynamics of integration proceeds from intergovernmentalism to supranationality and remains the subject of

¹⁴ A. Zielińska-Głębocka, *op.cit.*, p. 22.

incessant debates, disputes and feuds between actors preferring one or the other solution.

This dispute, accompanying the integration process ever since, has burgeoned in the face of the eurozone crisis. Monetary Union, the establishment of which was the key achievement of the neofunctionalist spill-over process since it pushed forward the economic integration process, finds itself now in an unprecedented crisis, a crisis that downright threatens its very existence and survival. The crisis may be attributed to many reasons, yet as many believe, among the most important ones is the wrongly designed institutional eurozone system, having at its core the centralization of monetary politics on the EU level and simultaneously, decentralization of fiscal policies of member states, which altogether robs the EU of instruments that could enable implementation of structural changes in the eurozone and make a response to crisis possible.¹⁵ Another important factor is the absence of strong political power in the Monetary Union.¹⁶ However, one may adopt an alternative assumption that the eurozone crisis is symptomatic of a deeper crisis in the EU being a construct of technocratic elites who imposed integration on states of completely different culture, also meaning economic culture. Following this line of thought, one may venture to say that the European Union is an attempt at building an economic and legal superstructure devoid of common foundations in terms of language, culture, history and citizenship, as obviously European nations have different kinds of economies and democracies which reflect their different history, values and culture. This is why the formation of monetary union from countries of such diverse economic cultures must end up in a failure.¹⁷

The causal dualism of eurozone crisis is well reflected in different concepts of how it should be overcome. While the supporters of the first view, the neofunctionalist logic of the spill-over process, believe that the

¹⁵ T.G. Grosse, *Systemowe uwarunkowania kryzysu strefy euro*, <http://www.biblioteka.cyfrowa.pl>, p. 343, (accessed: 21.05.2013).

¹⁶ *Ibidem*, p. 348.

¹⁷ *Kryzys w strefie euro jest objawem głębszego kryzysu w UE*, http://biznep.gazeta.prawna.pl/artykuly/567621,kryzys_w_strefie_euro_jest_objawem_glebszego_kryzysu_w_ue.html, (accessed: 20.05.2014).

crisis can be remedied by deepening of the integration process and increased supranational cooperation ultimately leading to the establishment of European federation, the supporters of the second view assume that it is the evolution of supranational mechanisms, uncontrolled by societies and devoid of democratic legitimacy, that contributed to the outbreak of crisis. For most European elites holding neofunctionalist beliefs, the only rescue for eurozone is to sign the intergovernmental fiscal treaty that is to be incorporated in the EU treaty order in 5 years time, vetoed by Great Britain. The agreement on reinforced economic union lays foundation for the Fiscal Union, which along with the Economic and Monetary Union is supposed to complement the process of economic integration. However, a classic fiscal union consists in assigning to union organs the tax collection and revenue disbursement competence. This means that EU members shall transfer their fiscal competence, being the foundation of their sovereignty, to EU organs. This is typical of a tightly integrated federation such as the USA.¹⁸ The negotiated fiscal compact, that is the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, signed on 2 March 2012 in Brussels, incorporates only some elements of classic fiscal union. Its main objectives are to increase budgetary discipline and implement supervision over the eurozone through enactment of the “balanced budget rule”. This fiscal compact operates outside the EU legal framework which means that it does not constitute binding EU law. In result, its ratification or lack thereof does not formally affect the EU membership.

The new treaty foresees the inclusion of a convergence criteria: budget deficit (below 3% GDP) and public debt (below 60% GDP). In the event when a given country does not comply with its directives, financial fines may be imposed by the European Commission. Moreover, the fiscal pact foresees increased coordination and convergence of economic policies of member states and efficient management of the eurozone (at least two annual summits of eurozone states attended by the heads of the states and

¹⁸ *Unia fiskalna pozbawi Polskę konkurencyjności*, http://podatki.gazetaprawna.pl/wywiady/573230,unia_fiskalna_pozbawi_polske_konkurencyjnosci.html, (accessed: 27.06.2014).

governments, the chair of the European Commission and the chairman of the European Central Bank).¹⁹

Adoption of the fiscal compact as a remedy to eurozone crisis doubtlessly echoes the logic of spill-over expansion, that is the spill-over of integration into new sectors and areas, characteristic of supranational neofunctionalism. It is an undeniable fact that the treaty provisions significantly increase the competence of EU institutions such as the European Commission or the European Justice Tribunal, allowing them to co-shape and co-decide on the budgets of member states. Moreover, the treaty incorporates a “balanced budget rule” into national legislation systems, thus limiting the fiscal sovereignty of member states. It also gives an impulse for a future creation of European economic government which would completely redefine the functioning of EU and nation-states within the EU framework, as this would contradict the classically understood *raison d'état*. For these reasons the fiscal compact evokes many controversies which are reinforced by the fact that Germany may be considered the main architect of the pact, with all its aspirations of being the model of economic rationality in crisis-swept Europe.²⁰

The most important EU member that objects to the use of supranational mechanisms (consisting in delegating state's sovereign competence to EU institutions through treaties signed) in solving Europe's economic problems is Great Britain. Its position regarding the fiscal pact is typical of state-centric intergovernmental logic. British Prime Minister David Cameron, justified Britain's opt-out of the proposed fiscal union by explaining that his country favored a different model of integration and added that “it is possible to be both a full, committed and influential member of the European Union but to stay out of arrangements where they do not protect our interests”.²¹ Safeguarding national interests is

¹⁹ K. Błaszkiwicz, *Pakt fiskalny*, <http://www.uniaeuropejska.org/pakt-fiskalny>, (accessed: 30.06.2014).

²⁰ Cf. D. Pawelczyk, *Pakt fiskalny: europejski polonez vs. Taniec Chochola*, <http://www.uniaeuropejska.org/pakt-fiskalny-europejski-polonez-vs-taniec-chochola>, (accessed: 30.06.2014).

²¹ After *Premier w Izbie Gmin tłumaczy brytyjskie weto*, <http://wiadomosci.onet.pl>, (accessed: 23.05.2014).

typical of Great Britain's behavior in the EU, as it prefers the concept of Union as a flexible network of states rather than a uniform block marching at an even step towards stronger integration. In this case *raison d'état* is identified with the strategy called "Europe a la carte" according to which state support for integration cannot intrude on its sovereignty and national interests. This means that the state participates only in those sectors and mechanisms of integration which are deemed favorable in terms of its *raison d'état* and opts out whenever they may be deleterious to its *raison d'état*.²²

Adoption of the fiscal pact, conceived by the leaders of Germany and France as a remedy to euro crisis, may seem to be the victory of supranational functionalism assuming Europeanization of more and more areas of cooperation. However, the fiscal compact meant to enforce stricter budgetary discipline seems to be insufficient means to overcome the biggest economic crisis in post-war Europe, as it does not address the fundamental issue of economic imbalance between the northern and southern eurozone states. Countries that joined in the monetary union were so diverse in terms of economic culture that it sparked drastic growth of disparities in terms of inflation, growth, fiscal discipline and competitiveness. Some states generated trade surpluses and retained their budgetary balance, while others let the public debt grow. Some countries, Germany in particular, which in the past underwent a series of structural reforms, built its economic position on export to the eurozone in particular, whereas other countries struggled with worsening trade deficit, being the result of buying more and more Germany-made goods. Another factor that increased the trade imbalance along the North and South divide was the loss of competitiveness of the peripheral economies of the South due to the adoption of euro. The latter turned out to be destabilizing for weaker European economies imposing on such countries as e.g. Spain, Portugal or Greece the same nominal interest rate as it in the rest of eurozone, albeit they exhibited higher inflation in real terms than in the more developed eurozone countries. Weaker economies could thus use cheaper loans and

²² Cf. J. Barcz, *Europa a la carte: konsolidacja czy fragmentacja Unii Europejskiej*, ksm.ka.edu.pl/tresc/3-2012-Barcz.pdf, (accessed: 26.06.2014).

the European Central Bank as a supranational organ treated all state debts equally, regardless of whether it was a German or Greek debt. Cheap loans triggered excessive spending in countries with little budgetary discipline such as Greece and one interest rate for the entire eurozone allowed for the transfer of cheap credit to the public and private sector of peripheral countries. This boosted the demand in these countries which in turn gave rise to trade imbalance and stimulated the creation of speculative bubbles e.g. on the real estate market. The eurozone crisis thus revealed all the limitations of the monetary union and powerlessness of supranational mechanisms in face of crisis. Moreover, it must be stressed that the leading EU members, and Germany in particular, used the neofunctionalist spill-over logic to pursue their national interests. Deepening of the integration process through setting a common monetary policy expanded the influence of German monetary policy due to its dominant economic position in Europe. This enabled and facilitated the sale of highly-processed German products throughout the entire eurozone, which paired with the absence of the mechanism of devaluation of peripheral economies' currency hugely limited their competitive advantage. This allowed Germany to increase its share in the global export which became the biggest stimulator of economic growth in this country.²³

Also in the surmounting of the euro crisis we can see a step back from the neofunctionalist assumption that once the spill-over process is initiated, the states lose control over it. Just to the contrary, in times of crisis it is the realist approach that is gaining popularity, which assumes that power is the basic criterion of differentiating state policies and it is the power that affects the control and shaping of external environment through influencing other states' policies. This is why it seems more reasonable to apply the realist theory of intergovernmental liberalism to explain political and economic processes taking place in EU torn by economic crisis. This theory claims that the most significant factor in the integration process is the economic interest of states which are placed above rules created by supranational mechanisms. The state's power is the

²³ Cf. *Czy strefa euro przetrwa swój pierwszy kryzys*, <http://www.sobieski.org.pl/pdf/czystrefaeuroprzetrwakryzyp.pdf> (accessed: 28.06.2014).

factor that dictates the negotiations at the EU level and EU institutions do not take decisions autonomously, but rather respond to the will of the most powerful member states.²⁴ Signing of the fiscal compact is, at the bottom of it, an attempt at transplanting German solutions regarding fiscal discipline and representing German *raison d'état* to the EU tissue.²⁵ By contrast, supranational solutions such as eurobonds, that is common securities for the eurozone, the issuance of which could be beneficial for peripheral euroland countries as they would result in decreased profitability of their bonds and positively affect the cost of public debt servicing, are being vetoed by Germany and also France.²⁶ The behavior of these countries is also part of the realistic logic of intergovernmental politics with regard to promotion of EU tax policy coordination which would be particularly favorable for France (employment increase by 0.4% and increased CIT by 5%) and inimical to e.g. Poland (liquidation of 160 thousand jobs). Proposals to promote growth and competitiveness have a similar overtone, as in practice this would mean transferring of money from the cohesion policy, from which the poorest EU countries benefit, to programs to fight unemployment in the eurozone.²⁷

Current eurozone debt crisis is unprecedented in the history of European integration. For most European elites, at least according to their articulate declarations, it can be remedied by development of supranational mechanisms pursuant to the neofunctionalist theory. However, in political practice supranational mechanisms are used when they are, first and foremost, in tune with political interest and improve the economic

²⁴ J. Czaputowicz, *Kryzys w Unii Europejskiej w świetle teorii integracji europejskiej*, in: J. Ruskowski, L. Wojnicz (eds.), *Teorie w studiach europejskich. W kierunku nowej agendy badawczej*, Szczecin – Warszawa 2012, pp. 135–139.

²⁵ Cf. M. Wolf, *Germanizacja unii walutowej nie rozwiąże greckiego kryzysu*, http://forsal.pl/artykuly/410726,wolf_germanizacja_unii_walutowej_nie_rozwiaze_greckiego_kryzysu.html (accessed: 27.05.2014).

²⁶ See: *Unia fiskalna – ile władzy zabierze państwom?*, <http://www.wprost.pl> (accessed: 15.06.2014).

²⁷ See: *Francuski pomysł na unię fiskalną oznacza kłopoty dla Polski*, http://forsal.pl/artykuly/587048,francuski_pomysl_na_unie_fiskalna_oznacza_klopoty_dla_polski.html (accessed: 27.05.2014).

stature of leading EU members. Therefore one has to agree with the view that during the crisis EU actually shifts from community policy to realist intergovernmental policy which strengthens sovereignty of big states at the expense of smaller states. Weaker states are forced to yield to decisions made by the EU powers which use EU institutions to legitimize their actions.²⁸ This situation is perilous insofar as today it is difficult to foresee how the crisis will affect the future of the entire European “construct”. Unmistakably, there is a clash between two major crisis solution concepts, with one – supranational neofunctionalism – believing that “more Europe” is the antidote for crisis, and the second – intergovernmental liberalism – “more nation-states”. In practice however, time and again, behind the slogans calling for increased Europeanization of state politics and deepening of integration (federalizing processes) egoistic national interests of the most powerful EU states are nestled. This is why one might conclude that it is highly probable that post-crisis EU will be an organization increasingly dominated by the economically strongest states, whose interests will be prioritized at the EU institutional level. This may mean forsaking the rules of European solidarity and the peculiar balance of powers in the EU in favor of growing hegemony of the biggest states, in particular Germany, in post-crisis Europe.

BIBLIOGRAPHY

- Barcz J., *Europa a la carte: konsolidacja czy fragmentacja Unii Europejskiej*, ksm.ka.edu.pl/tresc/3-2012-Barcz.pdf (accessed: 26.06.2014).
- Borkowski P.J., *Federalizm a budowanie jedności Europy*, „Studia Europejskie” 2006, No. 2.
- Cini M., *Unia Europejska – organizacja i funkcjonowanie*, Warszawa 2007.
- Czaputowicz J., *Kryzys w Unii Europejskiej w świetle teorii integracji europejskiej*, in: J. Ruskowski, L. Wojnicz (eds.), *Teorie w studiach europejskich. W kierunku nowej agendy badawczej*, Szczecin–Warszawa 2012.
- Czaputowicz J., *Teorie stosunków międzynarodowych. Krytyka i systematyzacja*, Warszawa 2007.

²⁸ J. Czaputowicz, *Kryzys...*, pp. 142–143.

- Konopacki S., *Dylematy federalizmu europejskiego*, „Studia Europejskie” 1998, No. 4.
- Konopacki S., *Neofunkcjonalistyczna teoria integracji politycznej Ernsta Haasa i Leona Lindberga*, „Studia Europejskie” 1998, No. 3.
- Pollak J., Słomiński P., *Das politische System der EU*, Wiedeń 2006.
- Ruszkowski J., *Ponadnarodowość w systemie politycznym Unii Europejskiej*, Warszawa 2010.
- Ruszkowski J., *Wstęp do studiów europejskich*, Warszawa 2007.
- Zielińska-Głębocka A., *Dynamika Unii Europejskiej w świetle teorii integracji*, „Studia Europejskie” 1999, No. 3.