



STATUS EUROPE: SOVEREIGNTY AND NATIONALISM

Øyvind Østerud, Professor in Political Science, University of Oslo

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In the *Christmas Essay* on December 23rd 2017, *The Economist* stated that “Wherever you look, nationalism is rising” – referring to Catalonia and Scotland; to election results in Germany and France; to elected governments in Poland, Hungary, the Czech Republic and Austria. Later in the essay: “The philosophy that nations are sovereign and uniquely able to say what suits them is incorporated into the bedrock of the UN, the Bretton Woods institutions and the whole of international law . . . Indeed, nationalism has become so much a part of the backdrop that you hardly notice it – except, as to-day, when there is a crisis.”

Now a few remarks on the anatomy of the present crisis – and there is still a crisis, even if it is less prevalent in the mass media and less acute in the political consciousness than it was a year ago.

In late September last year, French president Emmanuel Macron gave a talk at the Paris-Sorbonne University. He called for closer integration in the European Union, in areas like taxation, fiscal policy, defense, asylum practice, and higher education. He also renewed the concept of *variable geometry* – a differentiated Europe with several circles of integration. He further argued that joint decision-making would be to the benefit of all and to the benefit of France.

Here Macron restated the historical essence and core idea of the European Union, called *pooling of sovereignty*. According to the *Encyclopedia of Governance*, pooled sovereignty is a sharing of decision-making powers. It means strengthening a country's resources by combining them with those of partner countries. It implies a departure from unanimous decisions – after discussion, a majority or a qualified majority decides.

The reason for pooling is to reduce the likelihood of a gridlock by veto, and members are overall expected to gain from this type of decision-making process. As the institutional design of the European Union implied: The European Union is an interest organization of governments. The governments were held to account by the electorate in the member countries. With a relatively weak supranational parliament, it was not designed as a democratic polity as such.

In the best of times, pooled sovereignty means that member states may – and occasionally will – be outvoted, hopefully without losing consistently and systematically.

In the worst of times, like the present crisis, pooled sovereignty becomes a euphemism for unequal influence and unequal benefits from supra-national decision-making.

When the financial crisis hit the Eurozone from 2008 onwards, it became clear that pooling of sovereignty also was a *hierarchy of sovereignties*. Germany, with a highly competitive export industry, stood to gain.



Greece, with a much weaker economy, lacking a strong export sector, stood to lose. There was a division of interest and a division of power between North and South in Europe. This differentiation of power prevails ten years on.

Greece, as part of the Eurozone, could not devalue in response to the crisis. Greece had also borrowed far too much to the low interest that was adapted to the strong German economy. Greece was stuck with the rules of fiscal convergence and had to take the forced austerity measures imposed by *the Troika* – the European Central Bank, the International Monetary Fund and the European Union. Greece, in fact, was set under administration, with tight foreign supervision of expenditures and pace of privatizations. With the enforcement of the Stability Pact that had accompanied the common currency, Greece was at the bottom of the hierarchy of sovereignties.

The crisis revealed that the divergence of national economies in Europe was just as great in 2009 as it had been when the Eurozone was established in the late 1990s. The idea behind the Maastricht Treaty was that the euro would lead to a convergence of national economies. That idea was wrong.

How could we explain the support for a wrong idea? The euro was primarily introduced for political reasons. In France – responding to German reunification and a mightier Germany – the idea was to reign in the German economy with a common currency and a supranational bank. In Germany, the idea was that the euro would be a necessary stepping-stone to the ultimate aim: a fiscal and political unification of Europe, in fact a federal state. The political motives in France and Germany differed.

As a permanent and final stage on the ladder of unification, the euro was either too much

or too little. It was *too much* for the weaker European economies, immobilized in currency and interest regulation in times of crisis. It was *too little* in terms of response to an uneven crisis, since there was no fiscal, or budget, union and no way to redistribute to the benefit of poorer regions or to the benefit of less productive member states. That is, there was no crisis mechanism one way or the other – except forced austerity and a subsequent political backlash in response to these measures.

The crisis revealed that the euro was a gridlock, however problematic the previous exchange mechanism had been. *On the one hand*, retreating to an earlier stage of integration would carry economic upheaval – since debts, trade agreements and other transactions all were in euros, and a retreat would also mean an intolerable political setback for the European leadership and for the European project as such. Economically and politically, a retreat would be costly.

On the other hand, as the crisis had made clear, there is no political foundation for a fiscal and political union. There is, for short, *no distributive consensus* across borders. In conventional language: Europe is not a national community, with solidarity across state frontiers. A forced fiscal and political union would most likely trigger even stronger nationalist counter-reactions than what we have seen so far. It would accelerate the disenchantment with tight integration in richer and poorer countries alike. In the richer countries because of highly unpopular demands for progressive taxation and massive financial support to the poorer and crisis-ridden areas. In the poorer countries because of dissatisfaction with the inadequacy of support and the structural inequality involved. In both cases, a political reaction against the erosion of sovereignty would follow. This is because there is no national fellowship at the European level, as



Øyvind Østerud at the Leangkollen Conference 2018.

demonstrated so clearly during the financial crisis.

There is a second gridlock having materialized recently, revealing the impact of sovereignty and nationalism. That is the battle over migration, as played out in the refugee crisis of 2015 and again in the Italian election campaign in March 2018. Nationalism in the East and West of Europe is partly due to a feeling of insecurity caused by mass migration. That feeling is strongly correlated with unemployment, job insecurity and relative economic decline. On this issue, there is no stable political balance point. The rate and level of immigration that is acceptable to the restrictive opinion, is far too little for the liberal internationalists, and vice versa. The political landscape all over Europe is now shaped by this, becoming increasingly more polarized on the issue – within countries and between them. In 2015, when Angela Merkel initially declared that

Germany would accept an unlimited amount of refugees, she was widely praised as the liberal light of Europe. When it became too much and she asked for EU burden-sharing, it was too late and too provocative for other member states. She had inadvertently called for a national backlash, not least in East Central Europe and even in Germany itself.

Nationalism comes in different shapes and colors. Open borders between states tend to create a transformed type of nationalism, from a *civic* to an *ethnic* type. The relevance of citizenship declines, while the prevalence of ethnic boundaries increases. British political scientist Henry Sidgwick captured this change in *Elements of Politics* in the early twentieth century, freely cited: “When you tear down the state’s borders, you don’t get a world without borders, but you get a world with a thousand small fortifications.”

The Sidgwick quote captures the dynamics

Sender:
Den Norske Atlanterhavskomiteé
Fr. Nansens pl. 8
N- 0160 Oslo
Norway



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of sovereignty and nationalism in Europe in times of crisis and uneven strain – there is an inverse relationship, a *trade-off* between them, whether we like it or not. Nevertheless, it is highly unlikely that sovereignty will be transferred to individual member countries, and it is highly unlikely that nationalism will reverse the forces of integration to any considerable extent. “The system will win,” as argued by British historian Perry Anderson in an article in *Le Monde Diplomatique* in Spring 2017. First, because the angry victims of open borders and international competition are still a minority in most of Western Europe; second, because fear of the consequences

of a radical break is quite widespread, as demonstrated by the acquiescence of euro critics in Greece. The election campaign against Marine Le Pen in France in 2017 was dominated by dire warnings of capital flight and disaster if she won. She stood no chance in the second round of the presidential election. In the near future, the liberal order will most likely prevail and the anti-systemic protest forces will most likely lose – at least in Western Europe. The symbolic figure of the correlation of forces is Emmanuel Macron, with the election results in Italy as a question mark.

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