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The Euro Crisis and Beyond:
The Transformation of the European Political System

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Abstract

The Euro crisis has had a contradictory impact on European policy-making. It has led to a massive transfer of authority to the European level in areas such as macroeconomic policy and banking regulation, which have enormous implications over a large range of public policies. This attempt at reinforcing depoliticized governance has, in turn, dramatically enhanced the domestic salience of EU membership and hostility to European integration, notably in domestic elections. In parallel, however, one has witnessed an attempt at reinforcing the accountability of European institutions with the so-called Spitzenkandidaten system. While the result of these contrasting forces remains to be seen, it has to date aggravated the European democracy conundrum: the Union and its policies are more present in domestic political debates, but they are increasingly contested.

Keywords

Supranationalism, Euro Crisis, Democratic Deficit

Ten years after the outbreak of the euro crisis, i.e. the economic and financial turmoil that followed the bankruptcy of Lehman Brothers, it appears clear that this series of events has had a lasting impact on European policy-making, and possibly on European politics. According to a long-held view of EU policy-making, the latter is characterised by the absence of politicisation. European policies are generally seen as shaped primarily by the interaction of national and European bureaucracies with stakeholders of various kinds.¹

European elections are described as ‘second-order elections’ that unfold according to the template established by the first direct election of members of the European Parliament in 1979: candidates are selected by national parties and national issues dominate both the campaign and the vote.² The lack of a strong European party system and the almost complete absence of ‘parties at the European level’—to use the language of the Treaty on the Functioning of the European Union—have also been emphasised.³ The vast literature on the catchall concept of Europeanisation has focused on Europe’s influence over domestic policies, rather than over national political systems. In his 2000 study of the impact of European integration on national party systems, Peter Mair identified a gap between the actual responsibilities of the European Union and its Member States, and the themes that are at the heart of electoral competition at each of these levels. Major decisions on the direction and scope of the integration process, he argued, continue to be central in European elections even though the European Parliament, despite its repeated requests, had little influence over these issues. Conversely, national elections continued to be dominated by confrontations on ‘national’ policy issues even though these were increasingly shaped by choices made at the European level. As a result, wrote Mair, voter choices only had a limited impact on important decisions made at both levels.

Since this diagnosis was made, however, a number of works have suggested that domestic politics are increasingly influenced by developments at the European level. This evolution is said to affect both the behaviour of parties as well as that of voters. As regards the former, expert surveys and manifesto data have shown that European issues have become more salient for political parties across the Union.⁴ In some instances, dissent was so strong that it led to the emergence of new political parties, such as *Front de gauche* in France or ANEL in Greece.⁵ With regard to electoral behaviour, a number of scholars suggest we might be shifting to a new era, as contestation over European issues has appeared at the national level. Van der Eijk and Franklin have evoked the image of the ‘sleeping giant’: whereas voters increasingly have clearer attitudes towards the EU, political parties tend to downplay European issues since the latter are fairly divisive for their traditional base.⁶ However, they argue, the issue is now ‘ripe for politicisation’: ‘it is only a matter of time before policy entrepreneurs in some countries seize the

¹ Claudio Radaelli, *Technocracy in the European Union* (London: Longman, 1999).

² Karlheinz Reif and Hermann Schmitt, “Nine Second-Order National Elections – A Conceptual Framework for the Analysis of European Election Results,” *European Journal of Political Research* 8, no. 1 (1980): 3-44.

³ Luciano Bardi et al., “How to Create a Transnational Party System,” European Parliament, 2010, <http://cadmus.eui.eu/bitstream/handle/1814/14744/StudyTransnationalPartySystem.pdf?sequence=1&isAllowed=y>; Thomas Poguntke et al., “The Europeanisation of National Party Organisations: A Conceptual Analysis,” *European Journal of Political Research* 46, no. 6 (2007): 747-71.

⁴ Marco R. Steenbergen and David J. Scott, “Contesting Europe? The Salience European Integration as a Party Issue,” in *European Integration and Political Conflict*, eds. Gary Marks and Marco R. Steenbergen (Cambridge: Cambridge University Press, 2004), 165-92.

⁵ *Front de gauche* in France was created following the 2005 referendum on the Constitutional Treaty and the Independent Greeks (ANEL) was formed in reaction to the first set of austerity measures contained in the bailout memorandum imposed by the EU in 2010-2011.

⁶ Cees Van Der Eijk and Mark N. Franklin, “Potential for Contestation on European Matters at National Elections in Europe,” in *European Integration and Political Conflict*, eds. Gary Marks and Marco R. Steenbergen (Cambridge: Cambridge University Press, 2004), 32-50.

opportunity...to differentiate themselves from other parties in EU terms.⁷ Writing a few years later, Hooghe and Marks stress that European integration is increasingly becoming the focus of high-profile political debate at the domestic level.⁸ The elites have had ‘to make room for a more of strategic interaction among party elites in their contest for political power.’⁹ As a result, they argue, the future of Europe is more likely to be shaped by political conflict than by the functionalist, efficiency-driven pressures that played a crucial role in the first decades of the integration process. A number of studies have documented the development of contestation over European issues in some countries at the time of national elections, stressing *inter alia* that the salience of EU related issues played a key role in cross-national variations.¹⁰

Although these analyses predate the economic and financial crisis triggered by the bankruptcy of Lehman Brothers in 2008, there are good reasons to believe that this crisis has acted as a catalyst for further politicization. It has led to a massive transfer of authority to the European level in an area, macroeconomic policy, which has enormous re-distributive implications and has a radiating influence over a large range of public policies. This, in turn, has dramatically enhanced the domestic salience of EU membership because of the central role that European decisions have played in successive rescue packages and in the development of fiscal austerity. The purpose of this paper is to review the manifold influences of the euro crisis over EU policy-making. I will argue that the crisis has, in several respects, aggravated the well-known legitimacy problem of the European Union by triggering an attempt at further depoliticising major EU policies, despite the overt opposition of European leaders to further transfers of authority to the EU (Part I). This has fed hostility to European integration, notably in domestic elections (Part II). In parallel, however, one has witnessed an attempt at reinforcing the accountability of European institutions with the so-called *Spitzenkandidaten* system, discussed in Part III. While the result of these contrasting forces remains to be seen, it has to date aggravated the European democracy conundrum: the Union and its policies are, yes, more present in domestic political debates, but the normative principles underlying their legitimacy remain both unclear and disputed.

I. The Attempt at Depoliticising Macroeconomic Policy

The European response to the euro crisis, slow and piecemeal as it may have been,¹¹ has nonetheless led to a substantial consolidation of European economic governance.¹² A first part of the reform was to set up backstop devices aiming to assist countries threatened by default, culminating in the creation of the European Stability Mechanism in 2012. From the very beginning, however, in exchange for their solidarity ‘creditor countries’ demanded a significant tightening of the surveillance system to prevent the resurgence of similar problems in the future. In slightly over a year, this led to the adoption of two important legislative packages (the ‘Six Pack’ and the ‘Two Pack’), and a new treaty—the ‘Fiscal Compact’ imposed by Chancellor Merkel. While this is not the place for a systematic analysis of these

⁷ Van Der Eijk and Franklin, “Potential for Contestation on European Matters at National Elections in Europe,” 47.

⁸ Liesbet Hooghe and Gary Marks, “A Postfunctionalist Theory of European Integration: From Permissive Consensus to Constraining Dissensus,” *British Journal of Political Science* 39, no. 1 (2009): 1-23.

⁹ Hooghe and Marks, “A Postfunctionalist Theory of European Integration,” 9.

¹⁰ Matthew J. Gabel, “European Integration, Voters, and National Politics,” *West European Politics* 23, no. 4 (2000): 52-72; Erik R. Tillman, “The European Union at the Ballot Box? European Integration and Voting Behavior in the New Member States,” *Comparative Political Studies* 37, no. 5 (2004): 590-610; Catherine E. De Vries, “Sleeping Giant: Fact or Fairytale? How European Integration Affects Vote Choice in National Elections,” *European Union Politics* 8, no. 3 (2007): 363-85; Catherine E. De Vries, “EU Issue Voting: Asset or Liability? How European Integration Affects Parties’ Electoral Fortunes,” *European Union Politics* 11, no. 1 (2010): 89-117.

¹¹ Peter A. Hall, “The Economics and Politics of the Euro Crisis,” *German Politics* 21, no. 4 (2012): 355-71

¹² For a legal and constitutional analysis of these developments, see Matthias Ruffert, “The Future of the European Economic and Monetary Union: Issues of Constitutional Law,” this volume; for a political science analysis from the perspective of integration theory, see Nicolas Jabko, “Politicized Integration: The Case of the Eurozone Crisis,” this volume.

reforms,¹³ it is important to note that they significantly strengthened the Commission's hand in the surveillance of Member States' fiscal policy.

First, the scope of the Commission's control powers was expanded far beyond public finances through the establishment of the macroeconomic surveillance procedure (the excessive macroeconomic imbalance procedure [MIP]) based on a scoreboard of indicators covering the whole of macroeconomic policy. In the same vein, the newly created 'European Semester' increased the interactions between the national authorities and the Commission before draft budgets are submitted.¹⁴ Finally, to ensure the effectiveness of the new regulatory system, there was a general shift 'from soft law measures without binding consequences toward a binding framework.'¹⁵ The authority of the Commission was considerably enhanced to avoid a repetition of the 2004 episode, in which its recommendation of sanctions against France and Germany for excessive deficits were reversed by the Economic and Financial Affairs (ECOFIN) Council. Under the new framework, if the Commission deems the rules of the Stability and Growth Pact (SGP) to be violated, its 'recommendations' become binding unless the Council rejects them through a qualified majority decision within ten days. This 'reverse qualified majority' system, introduced by the Six Pack and consolidated by the Fiscal Compact,¹⁶ heavily tilts the balance of power in favour of the Commission, whose choices are now very difficult to reverse.¹⁷

In discussions over SGP reform, the introduction of the 'reverse qualified majority' was presented as a shift towards 'quasi-automatic' sanctions.¹⁸ However, this description obscures the fact that the enforcement mechanism involves a fair degree of discretion. This is because budget deficit targets are defined no longer in nominal, but in structural terms, i.e. they are to take into consideration business cycle swings and filter out the effects of one-off and temporary measures.¹⁹ Similarly, in the MIP, a negative result does not lead to the automatic conclusion that there is an imbalance, since from an economic standpoint it is difficult to determine the exact threshold at which a macroeconomic imbalance might become harmful. In other words, the attempt to refine the rules and render them less mechanical has enhanced the discretion enjoyed by the Commission.

The breadth of the Commission's margin for manoeuvre is by its very nature indeterminate.²⁰ Remarkably, the Commission has departed from the previous practice, in which codes of conduct on the

¹³ Michael Bauer and Stefan Becker, "The Unexpected Winner of the Crisis: The European Commission's Strengthened Role in Economic Governance," *Journal of European Integration* 36, no. 3 (2014): 213-29 ; Renaud Dehousse, "Le 'Pacte Budgétaire': Incertitudes Juridiques et Ambiguïté Politique," *Les Brefs de Notre Europe*, no. 33 (2012): 1-4; Jean-Paul Keppenne, "Institutional Report," in *The Economic and Monetary Union: Constitutional and Institutional Aspects of the Economic Governance within the EU*, eds. Ulla Neegaard, Catherine Jacqueson, and Jens Hartig Danielsen (Copenhagen: DJØF Publishing, 2014), 179-257.

¹⁴ For a critique of the European Semester, see Philomila Tsoukala, "Post-Crisis Economic and Social Policy: Some Thoughts on Structural Reforms 2.0," this volume.

¹⁵ Keppenne, "Institutional Report," 211.

¹⁶ See European Parliament and Council Regulation 1173/2011, On the Effective Enforcement of Budgetary Surveillance in the Euro Area, 2011 O.J. (L 306) 1, arts. 4(2), 5(2) and 6(2), and European Parliament and Council Regulation 1174/2011, On Enforcement Measures to Correct Excessive Macroeconomic Imbalances in the Euro Area, 2011 O.J. (L 306) 8, art. 3(3) [Six Pack]; see also European Parliament and Council Regulation 1303/2013, Laying Down Common Provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, 2013 O.J. (L 347) 320, art. 23(10).

¹⁷ Wim van Aken and Lionel Artige, "A Comparative Analysis of Reverse Majority Voting: The WTO's Dispute Settlement Mechanism, the EU Anti-Dumping Policy and the Reinforced SGP and Fiscal Compact," EUSA Thirteenth Biennial Conference, Baltimore, 2013.

¹⁸ This view was expressed by the German government, the Commission and the ECB. See, e.g., Olli Rehn, Why EU Policy Co-ordination has Failed, and How to Fix It, The Ludwig Ehrard Lecture, October 26, 2010, http://europa.eu/rapid/press-release_SPEECH-10-590_en.htm?locale=en.

¹⁹ Treaty on Stability, Coordination and Governance (TSCG), Article 3(3) [Fiscal Compact].

²⁰ Interview with Mario Buti, Director general, DG ECFIN, May 2015.

implementation of the SGP were endorsed by the ECOFIN Council: in January 2015, the Commission issued, without Council involvement, a communication detailing how it would apply the flexibility provisions of the SGP to encourage growth-friendly fiscal consolidation.²¹ Some of the decisions taken by the Juncker Commission in this area clearly flew in the face of Northern European ‘creditor’ countries’ preferences. In early 2015, for instance, it proposed that France, which had failed to meet its deficit target, be granted a two-year extension of the deadline to correct its excessive deficit and merely insisted that France carry out comprehensive and ambitious structural reforms.²² This soft policy line earned the Commission a scathing rebuke from Bundesbank President Jens Weidmann:

As a lesson of the crisis the rules were stiffened somewhat. But at the same time, the Commission was granted more leeway in interpreting the rules. So far, the Commission has made ample use of this additional leeway, thereby thwarting the original intention of the rule overhaul.²³

Developments in the field of banking regulation have followed a similar path.²⁴ At the time of the Maastricht Treaty, Germany and France had systematically opposed any role for the new central bank in supervising banks, which remained in the hands of national authorities, because the right to control their own market was deemed to be of central importance.²⁵ The following two decades, however, saw the cross-border integration of the banking sector and the emergence of a number of large banking groups operating in several countries. As is known, the European banking sector was subsequently hit by a series of crises beginning in 2008: the credit crunch following the bankruptcy of Lehman Brothers; the turmoil deriving from banks’ exposure to the sovereign debt of countries like Greece; the real estate bubbles in Ireland and Spain—all of which contributed to undermining public confidence in European banks. Thus it was recognized that a nationally based supervisory model was inadequate to oversee an integrated financial market in which capital could move freely and the idea of centralized bank supervision gained traction. In a first step, new regulatory authorities were established following recommendations from a high-level group of financial experts chaired by a former *Banque de France* governor.²⁶ However, due to opposition from countries with large financial centres, the new structures were granted only limited competences, and their decisions were subject to the control of national authorities through voting and appeals procedures.²⁷ When in the spring of 2012, Spain and Italy pushed heavily for a rescue package to rescue their ailing banks, ‘creditor’ countries insisted that the supervision of European banks be removed from the hands of national authorities and entrusted to a strong European regulator, and that EU regulation be tightened. Given the urgent character of the crisis, the European Central Bank (ECB) appeared as a more reliable alternative than the newly created authorities.²⁸

Once the decision was made, it took only a few months to agree on the blueprint for a Single Supervisory Mechanism (SSM). The ECB has now become the sole decision-maker for granting or

²¹ Communication from the Commission, *Making the Best Use Of The Flexibility Within The Existing Rules Of The Stability And Growth Pact*, COM (2015) 12 final (January 13, 2015).

²² *Commission Recommendation for a Council Recommendation with a View to Bringing an End to the Excessive Government Deficit in France*, COM (2015) 115 final (February 27, 2015).

²³ At the Crossroad. The Euro-Area Between Sovereignty and Solidarity, Speech delivered at Sciences Po, Paris, November 12, 2015, http://www.bundesbank.de/Redaktion/EN/Reden/2015/2015_11_12_weidmann.html.

²⁴ For a discussion of EU banking regulation highlighting the UK’s role and the international dimension, see Elliot Posner, “EU Financial Regulation after the Neoliberal Moment,” this volume.

²⁵ Murlon-Druol, “Don’t Blame the Euro: Historical Reflections on the Roots of the Eurozone Crisis,” *West European Politics* 37, no. 6 (2014): 1282-296.

²⁶ De Larosière Group, “The High Level Group on Financial Supervision in the EU,” February 25, 2009, http://ec.europa.eu/economy_finance/publications/pages/publication14527_en.pdf.

²⁷ Alexandre Hennessy, “Redesigning Financial Supervision in the European Union (2009-13),” *Journal of European Public Policy* 21, no. 2 (2014): 151-68; Lucia Quaglia, “Financial Regulation and Supervision in the European Union after the Crisis,” *Journal of Economic Policy Reform* 16, no. 1 (2013): 17-30.

²⁸ Renaud Dehousse, “Why has EU Macroeconomic Governance Become More Supranational?,” *Journal of European Integration* 38, no. 5 (2016): 617-31.

revoking banking licenses in the Eurozone; it has had to recruit around 1,000 officials for its supervisory arm and now employs a fifth of all banking supervisory staff in the Eurozone.²⁹ Moreover, the move towards a banking union had broader political ramifications: not only did it entail a degree of fiscal union (through the prospect of cross-border liabilities for failing banks and transfers of public funds), but it was also perceived by many actors as ‘a vote of confidence...from the euro area’s political leaders,’³⁰ which enabled Mario Draghi to announce a few weeks later that the ECB would do ‘whatever it takes’ to save the euro.

This episode, together with the bolstering of the Commission’s surveillance powers over macroeconomic policy, illustrates the remarkable character of the developments that have unfolded over the course of the euro crisis. In both cases, despite Member States’ traditional sovereignty concerns, supranational institutions have seen their powers significantly increased in areas of strategic importance. Equally remarkably, the final result appears to owe much to the agency of the most directly concerned institutions, namely the Commission and the European Central Bank, which played a major role in the design of key innovations of the period and advocated for reform. Both the process and the output are difficult to reconcile with the ‘new intergovernmentalism’ literature that has developed in the wake of the crisis, for which the crisis confirmed the pre-eminence acquired by the European Council in the post-Maastricht era.³¹

Be that as it may, in both cases transfers of authority to the European level were a response to the perceived weakness of earlier enforcement mechanisms in which national authorities were supposed to apply the rules to themselves, and therefore had incentives for collusion and horse-trading.³² North-South mistrust had reached such high levels that creditor countries insisted on the ‘depoliticisation’ of enforcement mechanisms. And, as stressed by former President of the European Council, Herman van Rompuy, ‘in the EU, there is only one way to depoliticise a process: it is to ‘communitarise’ it.’³³ By so doing, however, the democratic deficit has been aggravated. Innovations such as the European Semester and the creation of fiscal policy councils in the constitutional system of the Member States, imposed by the Fiscal Compact, were deliberately conceived to curtail the autonomy enjoyed by national authorities in the handling of their fiscal policy. The hope of creditor countries was clearly that the more detailed character of the revised and extended SGP would likewise constrain EU institutions. Elections could no longer reverse the stream: as illustrated by Greece’s failed attempt to reject austerity in 2015, the alternative was between staying within the Eurozone and complying with its rules or leaving it altogether.

To make things worse, these fundamental changes were adopted against a background of fading support for European integration in the general public. Tellingly, national leaders’ reactions at the beginning of the crisis downplayed the part to be played by EU institutions. French President Nicolas Sarkozy was quite blunt:

The crisis has prompted the heads of state and government to assume greater responsibilities because at the end of the day, they alone have the democratic legitimacy to make decisions. European

In softer language, Chancellor Merkel heralded the emergence of a new ‘Union Method,’ in which intergovernmental actors were to play a larger role than before. However, the dramatic character of the crisis, which called into question the very existence of the common currency, forced national leaders to

²⁹ Nicolas Veron, *Europe’s Radical Banking Union* (Brussels: Bruegel, 2015).

³⁰ Veron, *Europe’s Radical Banking Union*, 18.

³¹ Christopher Bickerton, Dermot Hodson, and Uwe Puetter, *The New Intergovernmentalism* (Oxford: Oxford University Press, 2015).

³² Marco Buti, Sylvester Eijffinger, and Daniele Franco, “Revisiting the Stability and Growth Pact: Grand Design or Internal Adjustment,” ECPR Discussion Paper, No. 180, 2003.

³³ Interview with Herman Van Rompuy, April 2015.

accept as necessary decisions which did not respond to their deep preferences,³⁴ through a process which some of them subsequently denounced as a plot orchestrated by European technocrats.³⁵

II. The Europeanisation of Domestic Politics

As the European Union underwent the arguably most severe crisis of its history, with potentially radical consequences for its member countries, EU membership came to feature more prominently in domestic political debates. This was in line with earlier studies, which had highlighted similar phenomena in previous years. Looking at votes in Austria, Sweden, and Finland at the time of their accession to the EU, for instance, Tillman had already found that the membership issue garnered much attention on these occasions, and that voters' assessment of political parties' stance on this issue had an impact on their voting choice.³⁶ Similarly, in a comparison of elections in the 1992-2002 period, De Vries determined that European integration matters had a strong impact in several countries.³⁷

Returning to the euro crisis, as is known, the financial market turmoil that followed the discovery of a huge deficit in Greece in 2009 led to the adoption of financial aid packages for several countries that no longer could finance themselves on the market. In addition, the countries that benefitted from such programmes were forced to accept strict austerity programmes in order to restore their public finances. In such a context, it is hardly surprising that partisan conflict developed over European issues.

The Europeanisation of domestic politics has been most acute in the country most affected by the crisis, i.e. Greece. Following a massive assistance package put together by the IMF and the EU in April 2010—the largest in the history of all international bailouts—the government led by George Papandreou had to commit to a programme of stringent austerity measures coupled with a number of controversial reforms, thereby triggering a wave of protests. The ensuing elections shook the pillars of the Greek political system. In May 2012, the two parties that had dominated post-dictatorship politics, consistently securing over three quarters of the vote, PASOK (centre-left) and New Democracy (centre-right), only gained 32% of the vote, while anti-bailout, anti-establishment and populist forces made substantial gains, with left-wing party Syriza emerging as one of the main winners.³⁸ Subsequently, the fiscal adjustment programme, with its corollary of privatisation, welfare cuts, and dismissals of public officials exacted high social costs, particularly for vulnerable categories such as young persons and elderly pensioners; Greece witnessed a brutal GDP collapse and a dramatic increase in unemployment (close to 28% in 2013). No wonder then that elections were largely orchestrated as a debate on austerity and the country's continued membership in the Eurozone. This 'Europeanisation' of Greek politics culminated in a dramatic sequence in 2015, with the victory of Syriza in the January parliamentary elections, the rejection of the adjustment programme proposed by the EU in a referendum organised in June, and ultimately the confirmation of Syriza's leader, Alexis Tsipras, as prime minister in the parliamentary elections held in September.

In an analysis of the January 2015 parliamentary vote, Katsanidou and Otjes argue that it is no longer possible to think of economic issues without considering the relationship between Greece and the Union.³⁹ They therefore develop a two-dimensional model of the Greek party system: one dimension

³⁴ Frank Schimmelfennig, "European Integration in the Euro Crisis: The Limits of Postfunctionalism," *Journal of European Integration* 36, no. 3 (2014): 321-37.

³⁵ Matteo Renzi, *Avanti. Perché l'Italia non si Ferma* (Milan: Feltrinelli, 2017).

³⁶ Tillman, "The European Union at the Ballot Box?."

³⁷ De Vries, "Sleeping Giant: Fact or Fairytale?."

³⁸ Sofia Vasilopoulou and Daphne Halikiopoulou, "In the Shadow of Grexit: The Greek Election of 17 June 2012," *South European Society and Politics* 18, no. 4 (2013): 523-42.

³⁹ Alexia Katsanidou and Simon Otjes, "Mapping the Greek Party System after the 2015 Elections: How the Economy and Europe Have Merged into a Single Issue," *LSE European Politics and Policy (EUROPP) Blog*, February 25, 2015,

for cultural issues such as immigration and security) and another for European issues, including both economic policy and matters related to European integration. This structuring makes it easier to understand Syriza's decision to seek an alliance with the right-wing ANEL party, with which they agreed on the most burning issue of the time, i.e. the necessity to renegotiate the terms of the bailout, even though the two parties were opposed on many socio-cultural issues.

In many respects, the Greek elections represent an extreme form of Europeanisation, since membership in the EU was at stake, with potentially dramatic repercussions. Yet such situations remain rare outside of crisis periods. Most analyses of the Europeanisation of parties or political systems, however, continue to reduce the debate over Europe to a single, overarching issue: support for European integration or for membership in the EU.⁴⁰ One might however wonder whether this approach is appropriate in view of the multifaceted nature of the integration process. EU public policy now covers a wide range of areas that extends well beyond the original core of internal market policies. The Europeanisation literature has shown that the impact of Europe can be strong even in the absence of any legislative action, for instance as a result of the macroeconomic surveillance procedure.⁴¹ As a result, even when a policy debate does not explicitly revolve around the need for more or less integration, EU membership may matter a lot. When asked about the subjects that influence their vote, respondents routinely mention issues such as immigration, unemployment, education or the future of the welfare system.⁴² Although all these fields fall under national jurisdiction more so than under EU jurisdiction, the interdependence of European countries and the control exercised by the Union over domestic public finances makes it difficult to discuss such matters without taking into account the existence of European constraints.

The relation to Europe can therefore no longer be reduced to a single issue of support for integration. In their attempt to differentiate themselves from their rivals, parties and candidates will increasingly mobilise 'Europeanised' issues, i.e. issues which can be directly or indirectly influenced by EU memberships, even if they are not primarily interested in integration matters. This will in turn affect the way the issues in question are perceived by the general public. Surveys and other efforts to assess the importance of European issues in domestic elections should therefore take account of the full range of EU-related issues. The 'European discourse' is being transformed. It is no longer merely limited to offering a broad view on the best way to organise the continent, but rather indicates how Member State parties and politicians intend to manage their relationship with Brussels and other Member States in key areas.⁴³ Considering the range of issues addressed at the EU level, there are reasons to believe that this is not a temporary development, but rather a structural shift in domestic politics.

Another remarkable feature of crisis-time elections is their negative character. When European issues are addressed in election campaigns, it is generally to underscore the parties' and candidates' opposition to developments in Brussels. Contestation over issues regarding Europe can however take different

<http://blogs.lse.ac.uk/europpblog/2015/02/25/mapping-the-greek-party-system-after-the-2015-elections-how-the-economy-and-europe-have-merged-into-a-single-issue/>.

⁴⁰ De Vries, "Sleeping Giant: Fact or Fairytale?"; Hanspeter Kriesi, "The Role of European Integration in National Election Campaigns," *European Union Politics* 8, no. 1 (2007): 83-108.

⁴¹ Maarten P. Vink and Paolo Graziano, *Europeanization: New Research Agendas* (Basingstoke: Palgrave Macmillan, 2007); Bruno Palier and Yves Surel, eds., *L'Europe en Action. L'europeanisation dans une Perspective Comparée* (Paris: L'Harmattan, 2007).

⁴² TNS Sofres, "Le Second Tour de L'élection Présidentielle, Sondage Jour du Vote," May 6, 2012, <https://docs.google.com/viewer?a=v&pid=sites&srcid=aWVwZy5mcnx0cmllbGVjfGd4OjdkNTdkMzIyNTk0NzQ5Yw>.

⁴³ Thus, a lexicometric analysis of the importance given to a variety of subjects in the main candidates' campaign materials in the 2012 elections in France has shown that while 'the EU issue' was a topic of relatively minor importance in the discourse of most candidates, 'Europeanised issues,' i.e. issues directly or indirectly related to Europe, featured prominently on all candidates' agenda (Dominique Labbé, Denis Monière, *La campagne présidentielle de 2012. Votez pour moi !*, Paris, L'Harmattan, coll. « Logiques politiques », 2013, 182 p., ISBN : 978-2-336-00671-0).

forms.⁴⁴ The first is radical and complete opposition: the very idea of integration is rejected, along with its attendant sovereignty losses. This is traditionally the position of many anti-establishment political entrepreneurs from both the far left and the far right, who have regularly mobilised the EU issue to reap electoral gains.⁴⁵ A second, less direct, line of opposition focuses on the policies pursued by the European Union or on the position of other Member States, but stops short of calling into question the very existence of the Union—a tack taken by many center-left parties across Europe. The novelty of the crisis period, however, has been that many representatives of ‘mainstream’ parties, traditionally well disposed towards the EU, have come to adopt a similar stance. Political leaders such as Nicolas Sarkozy in France and Matteo Renzi in Italy deliberately surfed on the loss of support for European integration to engage in systematic ‘Brussels bashing’ or in a critique of other European countries. Even former European Commissioner Mario Monti found it necessary to warn of the dangers of ‘creditocrazia,’ a system in which all decisions would be dictated by countries with sound public finances, irrespective of their partners’ situation.⁴⁶ As a rule, this discursive shift has contributed to fanning the flames of Euro-scepticism.⁴⁷

III. Towards Politicisation of EU Policy-Making?

Politicisation has also gained ground at the European level. With the innovation known as the system of *Spitzenkandidaten*, introduced in the 2014 European Parliament elections, the European Parliament has gained influence over the appointment of the Commission president. The *Spitzenkandidaten* system drew on a practice dating back to the beginning of the 1980s: the ‘confirmation vote’—an investiture of sorts, later codified by the Treaty of Maastricht, which also aligned the term of commissioners with that of the Parliament. Although these reforms were introduced without any real debate, they clearly indicated a desire to strengthen the links between the Parliament and the body that most resembles an ‘executive’ at the European level, i.e. the Commission. Subsequently, Members of the European Parliament requested the establishment of a system of hearings to confirm Commission candidates, based on the US Congress’ oversight of certain presidential nominations. After some hesitation, Commission president Jacques Santer accepted the principle, which was then enshrined in the Parliament’s rules of procedure.⁴⁸ The hearings have proven to be a formidable challenge for certain candidates whose skills and opinions failed to impress the members of parliamentary committees. In each confirmation process, the Parliament has managed to impose changes in the distribution of portfolios, or even reject outright certain candidates. The forced resignation of the Santer Commission in 1999, triggered by the threat of a parliamentary vote of censure, reinforced the idea of a strong link between the Parliament and the executive.

Given this momentum, it did not take very much imagination to see that political parties at the European level—another creation of the Maastricht Treaty—might one day be tempted to use elections as a lever to impose their choice of Commission president on governments.⁴⁹ By 1998, Jacques Delors

⁴⁴ Peter Mair, “Political Opposition and the European Union,” *Government and Opposition* 42, no. 1 (2007): 1-17.

⁴⁵ Paul Taggart, “A Touchstone of Dissent: Euroscepticism in Contemporary Western European Party Systems,” *European Journal of Political Research* 33, no. 3 (1998): 363-88; Van Der Eijk and Franklin, “Potential for Contestation on European Matters at National Elections in Europe”; De Vries, “Sleeping Giant: Fact or Fairytale?”; Kriesi, “The Role of European Integration in National Election Campaigns.”

⁴⁶ Sylvie Goulard and Mario Monti, *La Democrazia in Europa. Guardare Lontano* (Milan: Rizzoli, 2012).

⁴⁷ See, e.g., Renaud Dehousse and Angela Tacea, “The French 2012 Presidential Election. A Europeanised Contest,” *Cahiers Européens de Sciences Po*, no. 2 (2012): 2-16, for the French 2012 presidential elections, or Aldo Di Virgilio et al., “Party Competition in the 2013 Italian Elections: Evidence from an Expert Survey,” *Government and Opposition* 50, no. 1 (2015): 65-89, for the 2013 parliamentary elections in Italy.

⁴⁸ EP 2014-2015 Rules of Procedure, 8th Parliamentary Term, September 2015, Rule 118.3 and appendix XVI.

⁴⁹ Renaud Dehousse, “Constitutional Reform in the European Community: Are there Alternatives to the Majoritarian Avenue?,” *West European Politics* 18, no. 1 (1995): 118-36.

and a number of EU figures called for European political parties to list their candidate for the presidency before the European elections.⁵⁰ The idea was to give voters an opportunity to influence the choice of president, and even the Commission's programme. The European socialist party in particular embraced this idea, following a number of electoral setbacks; many saw it as a possible remedy to citizens' disenchantment with Europe. During the seventh legislature (2009-2014), European Parliament President Martin Schulz followed this playbook, leading to his selection as candidate of the European Socialist Party (PES). Despite the many reservations, especially within the European People's Party (EPP) where heads of government frowned upon an initiative that could only reduce their leeway, once several parties put forward their candidates in the autumn of 2013, it began to appear inevitable. At a time when personalisation is an important element of political life, it was inconceivable to leave the media spotlight entirely to candidates from other parties.⁵¹ Thus Jean-Claude Juncker was chosen as the EPP's candidate, and when the EPP won the plurality of the votes, he was named Commission president. His success, despite the opposition from prominent figures from within his own party such as Angela Merkel and Herman Van Rompuy, powerfully backed by British Prime Minister David Cameron after the elections, gives credence to the idea that a change did occur. Its magnitude remains to be assessed.

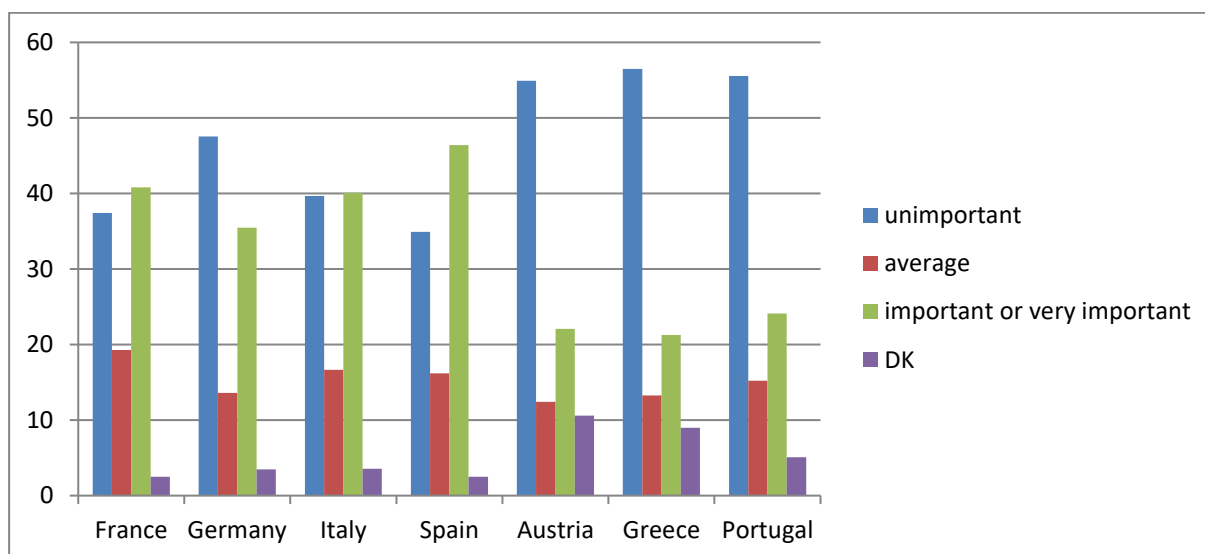
A first observation is that the 2014 election results have only very partially met the expectations of the new system's proponents. The victory of the European People's Party was only relative: while it remained the largest group in the European Parliament, it lost close to 20% of its parliamentary representation (a total of fifty-three seats). The striking element of these elections was the decline of the four main European parties: in most countries, both left - and right-wing populist movements made the largest gains. Moreover, personalisation does not seem to have played a decisive role in voter choice. According to a post-election survey conducted in seven EU countries, on average only 36% of respondents (a mere 21% in Greece) believed that the choice of Commission president was important or very important, while 44%, (with a maximum of 48% in Germany), held the opposite view.⁵²

⁵⁰ Jacques Delors et al., "Politiser le Débat Européen," <https://institutdelors.eu/wp-content/uploads/2018/01/ceo1999.pdf>.

⁵¹ Nereo Penalver Garcia and Julian Priestley, *The Making of a European President* (Basingstoke: Palgrave Macmillan, 2015).

⁵² Nicolas Sauger, Renaud Dehousse, and Florent Gougou, "Comparative Electoral Dynamics in the European Union in 2014 (CED- EU14)," *Cahiers Européens de Sciences Po*, no. 2 (2015): 1-36.

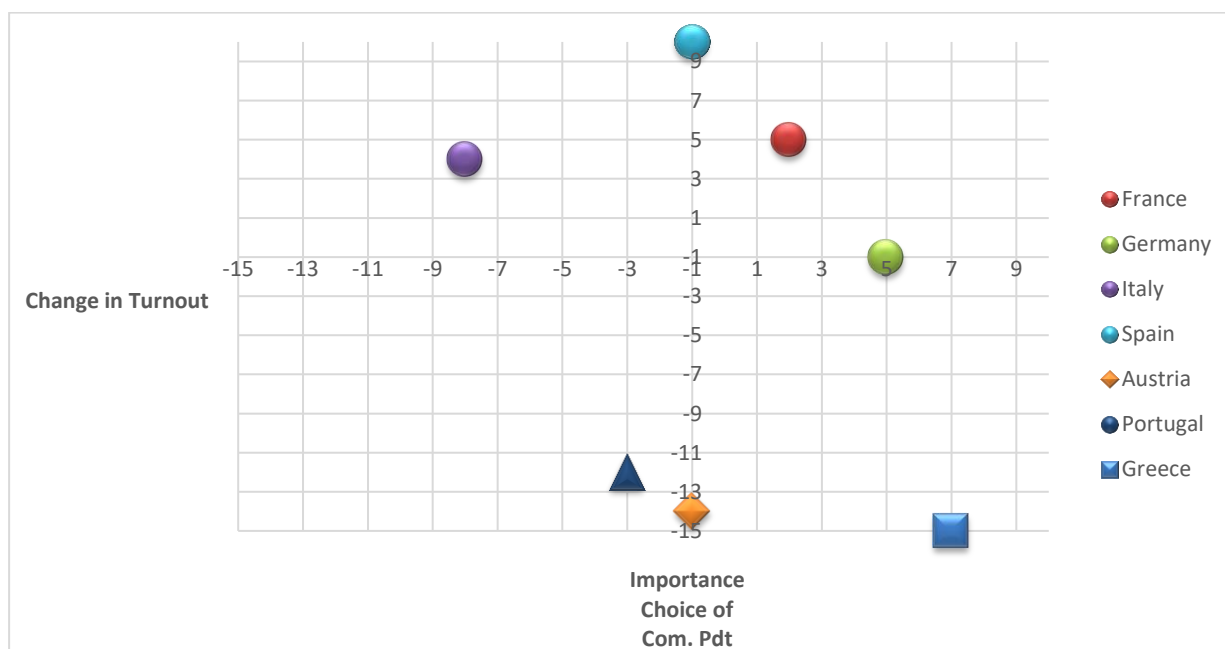
Figure 1. Importance of the choice of Commission presidents in the 2014 European elections



Source: Sauger, Dehousse, and Gougou, “Comparative Electoral Dynamics in the European Union in 2014.”

The only consolation for the supporters of the *Spitzenkandidaten* system was that the idea appeared to be more popular with voters from the two largest parties (EPP and PES), whose candidates received the most media coverage because they were considered the only truly electable candidates. Furthermore, the countries where the *Spitzenkandidaten* campaigned experienced greater participation.⁵³ This however did not suffice to reverse the well-established trend which has seen turnout at the polls decline at each successive election: in 2014, an all-time low of 42.6% was registered.

Figure 2. Impact of Spitzenkandidaten on turnout at EU election



Source: Sauger, Dehousse, and Gougou, “Comparative Electoral Dynamics in the European Union in 2014.”

⁵³ Hermann Schmitt, Sara Hobolt, and Sebastian Adrian Popa, “Does Personalization Increase Turnout? Spitzenkandidaten in the 2014 European Parliament Elections,” *European Union Politics* 16, no. 3 (2014): 347–68.

Figure 2 compares variations in the turnout at the 2009 and 2014 elections with the intensity of support for the indirect election of the Commission president (operationalised as the number of points beyond the average in all countries polled in the survey). Evidently, there is little relation between the two. The country in which support was highest, i.e. Spain, even saw a decline in turnout. Conversely, in Greece, where the upsurge of interest for EU elections was strongest, support for the indirect election was the lowest. This result obtained despite the fact that the clear winner of the European elections in Greece, Alexis Tsipras, was the radical left's candidate for the Commission presidency. In other words, there is no apparent correlation between strong public support for the idea of electing the Commission president and the turnout registered in 2014.

This anointing of sorts through universal suffrage nonetheless sufficed to propel Jean-Claude Juncker to the head of the Commission. No alternative proposal emerged from European Council negotiations, and the virulence of the British and Hungarian opposition ended up rallying less enthusiastic Member States to his candidacy. In the Parliament, Juncker was subsequently confirmed by a 'grand coalition' of the EPP, socialist, and liberal members. While some raised the prospect of a true coalition agreement, similar to those that exist in some parliamentary systems, the achievements were more modest in the European context. Leadership positions in the Parliament were distributed to the detriment of euro-sceptic groups, which did not secure the committee chairs that the principle of proportional representation suggested they might aspire to. And the relatively weak majority obtained by the Commission in the confirmation vote of October 22, 2014 (423 for, 209 against and 67 abstaining), with many abstentions among socialist representatives from Southern Europe, shows that no solid majority existed in the Parliament. As in the past, each piece of legislation that has gone forward has been based on ad hoc parliamentary coalitions.

The new structure of the EU executive has mostly attracted attention because it includes a tier of vice-presidents, tasked with the implementation of key aspects of Juncker's programme. At the same time, it confirms the necessarily multi-partisan nature of the Commission's operations: the economic and financial affairs portfolio, which was awarded to the French socialist Pierre Moscovici after much wrangling, places him in two working groups respectively headed by the Finnish liberal Jyrky Kattainen and by the EPP-affiliated Latvian conservative Valdis Dombrovskis. That being said, the executive's priorities are directly drawn from Juncker's campaign platform.⁵⁴ The official discourse thus tends to emphasise the existence of a chain of command that connects the executive's choices to the preferences that emerged from the vote. All in all, even though the idea of a leadership contest at the European level, in which voters have a decisive role, has had relatively little success in the polls, it seems to have been important for many actors in the nascent European political system.⁵⁵

That the European Parliament strongly supported this initiative is not a surprise, since the process is viewed (perhaps too hastily) as reinforcing its influence. What is most surprising, however, is the way Member State governments have accepted an institutional path that inevitably leads to a reduction of their own room for manoeuvre. This choice, which does not seem to be driven by self-interest, can probably be explained by ideational factors: with regard to democracy, the parliamentary system remains the reference political system in most European countries. As a result, when the issue of democracy arises it is difficult to oppose simple ideas that resonate with national political cultures.⁵⁶ UK Prime Minister David Cameron, who made every effort to oppose the choice of Jean-Claude Juncker after the 2014 European elections, learned this lesson through bitter experience. The process that led to

⁵⁴ http://europa.eu/rapid/press-release_IP-14-984_en.htm

⁵⁵ This idea has been championed *inter alia* in the works of Simon Hix. Simon Hix, *What's Wrong with the European Union and How to Fix it* (Cambridge: Polity Press, 2008).

⁵⁶ Olivier Costa and Paul Magonette, "Idéologie et Changement Institutionnel dans l'Union Européenne. Pourquoi les Gouvernements Ont-Ils Constamment Renforcé le Parlement Européen?," *Politique Européenne* 9 (2003): 49-75; Stefan Goetze and Berthold Rittberger, "A Matter of Habit? The Sociological Foundations of Empowering the European Parliament," *Comparative European Politics* 8, no. 1 (2010): 37-54.

the latter's appointment was presented as self-evident. Parliamentary group leaders argued that since his party had won the elections, Juncker should naturally be chosen as Commission president, even though some of them had been his rivals in the presidential race, a principled discourse which proved to be difficult to rebuke.

At the time of writing, the question of whether this experience will be repeated in the elections for the 2019-2024 cycle is still being debated. Given the Parliament's and parties' insistence on the *Spitzenkandidaten* system, it seems fairly likely that leading candidates will indeed be selected and run for the Commission presidency. But whether one of them will be selected for the job is a different matter. At the February 2018 meeting of EU 27 leaders, they strongly reasserted their rights to choose the Commission president independently. In the words of European Council President Donald Tusk:

There is no automaticity in this process. The Treaty is very clear that it is the autonomous competence of the European Council to nominate the candidate, while taking into account the European elections, and having held appropriate consultations.⁵⁷

Yet in the same week, the European Parliament declared it would not support a candidate for Commission president who had not fought in the election. Evidently, the transformation of the election process of the Commission president is far from complete.

IV. The European Democracy Conundrum

The euro crisis has had important consequences for the political system of the European Union. In several respects, it appears to have aggravated the well-known 'democratic deficit' of the European Union.⁵⁸ Under the pressure of events, national governments have accepted transfers of powers to supranational institutions in areas of strategic importance. As a result, the discretion they enjoyed in the conduct of macroeconomic policy has been further eroded, particularly in debtor countries, submitted to a strict surveillance programme. This change, taking place in a period of weakened support for European integration, has had a strong impact on domestic politics, particularly in Eurozone countries. The influence of the EU is now felt more clearly in a large number of fields, which has fed opposition to Europe and/or to its policies. In parallel, one has witnessed an attempt to enhance the importance of European elections and possibly the responsiveness of the EU political system with the development of the so-called *Spitzenkandidaten* system.

To sum up, reactions to the crisis have exposed the contradictions between two models of European governance: delegation of powers to independent supranational bodies, which is the hallmark of the 'Community method'; and a form of parliamentary government through the *Spitzenkandidaten* system. EU politics seem to oscillate between these two poles, at times anxious to keep partisan politics at bay; at other times eager to see political parties mobilise themselves around European issues. The contradiction between a 'trusteeship' model and a form of parliamentary government is by no means new. It was already present at earlier stages of the construction of the EU institutional architecture.⁵⁹ However, with the euro crisis and the accelerated institutional development that has resulted, some blatant incompatibilities have emerged.

⁵⁷ "Informal Meeting of the 27 Heads of State or Government," European Council website, February 23, 2018, <http://www.consilium.europa.eu/en/meetings/european-council/2018/02/23/>.

⁵⁸ On which see, e.g., Giandomenico Majone, "Europe's 'Democratic Deficit': the Question of Standards," *European Law Journal* 4, no. 1 (1998): 5-8; Andre Moravcsik, "In Defence of the 'Democratic Deficit': Reassessing Legitimacy in the European Union," *Journal of Common Market Studies* 40, no. 4 (2002): 603-24; Andreas Follesdal and Simon Hix, "Why there is a Democratic Deficit in the European Union: A Response to Majone and Moravcsik," *Journal of Common Market Studies* 44, no. 3 (2006): 533-62.

⁵⁹ See, e.g., Renaud Dehousse, "European Institutional Architecture after Amsterdam: Parliamentary System or Regulatory Structure?," *Common Market Law Review* 35, no. 3 (1998): 595-627.

Consider for instance the way in which the Juncker Commission has used its enhanced control powers over domestic fiscal policies. In recent years, countries like France and Italy, whose fiscal policies did not fully respect European recommendations, were granted a considerable degree of flexibility.⁶⁰ In so doing, the Juncker Commission followed a line that was clearly less drastic than that of the Barroso Commission. To its critics in ‘creditor countries,’ the Commission responded that it was now (read: after Juncker’s election) a political body, which had to take into consideration the domestic situation in the Member States. It is highly likely that the large swing towards Eurosceptic parties registered in the 2014 European elections played a role in its evaluations.

Although the introduction of politics through the *Spitzenkandidaten* system has been used by some to legitimize the Commission, others have drawn precisely the opposite conclusion. For supporters of rules-based governance, the idea that the European executive claims for itself the right to decide, on the basis of a variety of factors, including political ones, how best to implement the rules appears to be nonsense. In this view, the Commission enjoys the powers it does precisely because of the neutral, *super partes* status it enjoys in the EU. In other words, the logic of delegation of powers to neutral agents that characterised the first decades of European integration⁶¹ is at odds with a logic of politicisation of EU policy-making.⁶² Unsurprisingly, in the last few years there have been signals indicating a willingness in some quarters to re-examine the role devoted to the European Commission. In 2015, for instance, Germany’s powerful finance minister Wolfgang Schäuble resurrected an old plan to strip the Commission of certain regulatory and oversight functions, beginning with competition policy, and to give them to independent authorities in order to maintain ‘depoliticised’ supervision of state activities.⁶³ A few months later, the German government wrote to German members of the European Parliament to stress that the Commission could not claim both the status of political representative and the role of impartial guardian of the Treaties.⁶⁴

To make things worse, today’s Europe is characterised by widespread opposition to ‘Brussels’ and by growing polarisation. To the well-known North-South cleavage on economic issues, one must add an East-West split over the free movement of persons. Even populist movements, which share a common aversion for the establishment, appear to pursue different objectives: the South, with movements like Syriza in Greece and Podemos in Spain, has predominantly left-wing populism, whereas, in the North, right-wing populism with strong identity components is pervasive. Given these divisions, steering a course that rallies majority support is anything but easy, irrespective of the governance model—parliamentary or trusteeship—that one has in mind.

In the long run, the fundamental contradictions between these two governance models will have to be addressed. One possibility is to draw a line between areas in which a more politicised logic is accepted and those in which neutral third parties acting in the general interest is preferred. In the turbulent environment in which Europe finds itself, it is hard to say how the tension between the two governance models will play out over time. Moreover, the growth of populism and opposition to Europe registered in a number of countries is likely to lead Member State governments to insist on retaining a central role in EU governance. The logic of incremental change experienced by the EU throughout the course of its history may no longer suffice to define a new balance.

⁶⁰ Dehousse, “Why has EU Macroeconomic Governance Become More Supranational?.”

⁶¹ For an extended discussion of the principal-agent model of European integration, see Peter Lindseth, “The Democratic Disconnect, the Power-Legitimacy Nexus, and the Future of EU Governance,” this volume.

⁶² Giandomenico Majone, “The Two Logics of Delegation: Agency and Fiduciary Relations in EU Governance,” *European Union Politics* 2, no. 1 (2001): 103-22.

⁶³ Stephan Brown, “Schäuble: Commission Must Give Up Power,” *Politico*, July 30, 2015, <https://www.politico.eu/article/schauble-european-commission-power-eurogroup-juncker-dijsselbloem-grexit/>.

⁶⁴ Florian Eder, 5 Reasons Germany’s influence is fading. *Politico* 15 January 2016 <https://www.politico.eu/article/5-reasons-germanys-influence-is-fading-angela-merkel-epp-meeting/>

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