

## The EU as an agent of social and institutional changes: the Greek fiscal crisis as a case study

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**Abstract:** According to Functionalist theory sovereign states are not the only agents of social changes. Through its expansion waves, the EU has operated as an agent of social changes and democratization within national environments. The current economic crisis in the EU sets challenges to functionalist theory and the ability of institutions to support national constitutional order and operate within the Treaty-based order.

**Key words:** Democratization, Greek fiscal crisis, functionalism, legitimacy

### The theoretical basis

To Functionalists the long process to European integration sets challenges to the traditional state-centric system. Functionalist theory suggests that states are not the exclusive agents of social changes. The assumption pays little attention to issues of democratic legitimacy, national constitutional order and the side-effects of operating outside the Treaty-based European order.

The integrative process has enriched the field of international relations and provided multiple theoretical, institutional and economic approaches to regional integration. In practical terms integration has meant to unite the old continent and overlay the consequences of clashing European nationalisms. The EU constitutes a unique field of study since there is no precedent to this qualitative and quantitative level of regional integration and is conventionally approached in four ways [1]: an international organization, a product of a regionalist process analyzed through the global economic structure, a product of its distinctive policy-making system and an institutional edifice unique in every sense that emerged under particular strategic circumstances.

Integration theory aims at describing and explaining the process of unifying sovereign nation-states. It is defined in terms of goals and the processes adopted with the aim of "attaining within a territory, of a sense of community and of institutions and practices strong enough and widespread enough to assure for a long time dependable expectations of peaceful change among its population" [2]. Furthermore, in the study of comparative national policies, integration is defined, *inter alia*, as "creating a sense of territorial nationality which overshadows-or eliminates-subordinate parochial loyalties". [3]

In the case of the EU, political integration may be broadly defined as "the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states" [4] and is seen either as a process or a means.

An institutional and operational prerequisite for political integration would be the adoption of a federal model, yet, crises have exposed the EU's institutional and legitimacy weaknesses. As suggested, "a federation is a union of group selves, united by one or more common objectives but retaining their distinctive group... Federalism unites without destroying the selves that are uniting, and is meant to strengthen them in their mutual relations". [5]

Within the functionalist approach of integration the process focuses on the establishment of channels of cooperation, setting common interests, the construction of a community of states and common institutions (positive integration) as well as the limitation of state sovereign character. As a result, the integration equation may be depicted as follows

Integration = sense of community + common institutions + pooling of sovereignty

The functionalist [6] assumptions on European integration have glorified the establishment of institutions by setting them at the heart of the integrative process. Functionalism is a model of integration according to which integration is materialised step-by-step, a piecemeal, gradual process (sectoral integration). Its critics have suggested that such an integration process cannot create institutions strong and efficient enough to solve major problems or democratic enough to respond to the people. The suggestion reflects the actual problem of democratic deficit, legitimacy and accountability issue in the EU that has not been addressed efficiently to this day. Moreover, functionalism has undermined the political aspect of integration, a fact that per se sets limitations to its very application.

Functionalist approaches have offered explanations for the past growth and future prospects of international institutions, although they do not constitute parts of a theory of institutional growth. By contrast they are a prescription, a prerequisite for peace and collaboration amongst states. On the operational level they impose patterns of non-conflictual state behaviour gradually eliminating inter-state friction (a gradualist approach). Functional cooperation has been described as “peace in parts”, while functionalism suggests that

1.Cooperation will only prove fruitful if the process focuses on specific functional activities. These have been performed by states but it is expected that they will be performed more effectively within a wider context by a higher authority.

2.The form of sectoral cooperation is to be determined by the nature of each function.

#### **The Greek debt crisis and the EU: a legitimacy crisis**

According to the functionalist model, sovereignty constitutes a bundle of powers, which are gradually shifted from the state to the functional organizations as a result of a conscious choice. In the current Greek debt crisis there a number of factors to be taken into account in order to scrutinize the legitimacy factor of EU policies. First, the agreement of a Memorandum between the Greek government and the Troika over-laid the premium established by the Treaties that allows member states to defend sovereignty. In a way, this was the only way the dictates of the Treaties could be side-lined. In effect, this is not a technical or legal issue but rather a choice of both sides that overlays the political dimension of the operating and legitimacy mode of a national demos.

To this day, the EU, as a union of states and peoples, has been the result of cooperation among national political elites cooperating on a number of distinctive issues. The autonomy of the national demos was secured through the Treaties that provided the means to resist involvement that delegitimizes national political systems. This legitimacy stems from the relationship between national elites and electorates. It is materialised in the form of choices being defined within the national demos. This very fact is a crucial factor of legitimacy, since states have operated as legitimate expressions of national preferences. In the Greek debt crisis, choices made on the EU level have eliminated the autonomy of the national demos, its margins of negotiations and broken off the ties that inter-link elites and the constituency, thus creating a substantial gap between leadership and the people. This is bound to question the very foundation of the political system operating in a vacuum of domestic legitimacy.

David Mitrany suggest that his Working Peace System “could be materialized from the bottom up, by encouraging forms of cooperation which bypassed the issue of formal sovereignty but instead gradually reduced the capacity of states to actually act as sovereigns”. [7] He presented a “functionalist alternative that aimed at World not simply European unity”, a proposal that led Realists to regard its theory as a utopian goal. To Mitrany the root of the evil was the division of the world into “detached and competing political units”. Indirectly this reflected the views of Plato on the social evils of his time, namely disunity, incompetence and violence. Although Mitrany supported the utopian idea

of establishing a world federal government, he did not claim that changing or reducing the lines of division amongst states would eliminate the problem [8].

In Mitrany's view, functional integration would be pragmatic, technocratic and flexible and would eliminate distinctions between national and international, public and private, political and apolitical / non-political. He suggested that "the functional way is not a promise to act in a crisis, but itself the action that will avoid the crisis". [9] Under this spectrum functional agencies are to operate as a premium against conflict on the inter-state level and produce positive-sum games. He considered the nation-state responsible for the breaking up of world unity, thus contesting the validity and accommodating capacity of the state-centric model as far as incompatibility of national interests is concerned. He claimed that his functional approach would overlay interstate friction "with the establishment of a spreading web of international activities and agencies". In effect, he questioned the very *raison d'être* of the existence of national political systems, expressing collectivities. Heterogeneity appears to be the result of choices made by elites and not the outcome of contending national priorities formally externalised by the autonomy of the national demos.

Functionalism bears elements of a global governance model, as it provides a "normative basis of state behaviour and cooperation". Yet, the functionalist way to integration undermined the political rationale of integration. The quest for unity has been an abstract project for long, thus making little sense to European electorates. Moreover, what was meant to be a political integration process supported by means of economic instruments, eventually marginalized the political rationale leading national electorates to question the EU as a model of governance that above all satisfies peoples' preferences.

In the Greek case not all constitutive elements of the new constitutional reality introduced with the signing of the Memorandum with the IMF and the EU are obvious. Yet, a number of defining and above all qualitative criteria point to that direction. First, the Memorandum has overlaid the Constitution, a fact that sets major challenges to the judiciary. The way structural changes have been introduced and above all imposed on social partners refers to dramatically limited legitimacy, social injustice and above all a constitutional vacuum. Eventually the government operates on the basis of eliminating the division of powers, a qualitative distinction existent in liberal democracies. In terms of internal legitimacy, the Greek demos is bound to decompose since the Greek electorate has perceived its functioning as de-legitimate, meaning not expressing national preferences. At the same time, the EU and its operating as an agent of social changes within a national environment has become the means to overlay the established constitutional order.

The role of the EU in overlaying national constitutional order is crucial, decisive and above all institutional. From an agent of modernity, an initiator of democratic changes and a provider of ample financial means the EU has turned into the institutional means that decomposes a constitutional national order. The lack of a pan-European demos that expresses collectivities and uniformed interests allows institutions such as the Council to ram national political systems causing political instability. In effect the social contract between national political elites and constituencies is under threat. As a result, the extinction of prerogatives held by national political systems and their institutional inability to defend collectivities causes social unrest and questions the validity of the European quest for unity. By contrast, technocratic elites and bureaucracies enhance their institutional position [10], thus setting challenges to the democratic operation of the EU.

At times of crises, national interests tend to emerge as the main determinants of alternative policy choices, a fact undermined by theoretical approaches to European integration. In these cases economic power becomes the qualitative factor that defines choices. These may be formulated in a way that first ignore or overlay the social side-effects on collectivities [11] and second dramatically enhance aspects of the democratic deficit. The Greek debt crisis has provided the opportunity to look into the effects of

turning collectivities into a passive audience and the catastrophic side-effects of the EU institutional decisions materialised by national governments [12]. Since the EU does not constitute a unitary state, a “non-state” or “no-nation” [13], it is difficult to express wide collective interests within an inclusive pattern. In a union of states de-fined as a civilian power, the economic aspects of power crucially define inter-state relationships and the ability of national governments to defend collectivities. In such a sui generis union, economic weakness equals to military weakness in an anarchic state-centric world and eventually defines outcomes on two distinctive levels. First, the ability of the national demos to withstand the intrusive action of institutions, and second, the ability of national political systems to effectively defend collectivities.

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**The paper is reviewed.**