

The Euro War of Attrition and the EU Social Model

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European integration entrapped

- A trap can be viewed as a metaphor for a place where you cannot back out, where you cannot move forward and where conditions are pretty unbearable
- the launch of the Euro without a fiscal union or a federal Europe (a political union) was a clear mistake, but abandoning the Euro and returning to a regime of national currencies would be an even greater mistake.
- Moves to an ever closer union have triggered a ‘spillback’ process in the form of anti-European domestic public opinion and divisive identity politics - “postfunctionalist” approach to European integration.

The core/periphery trap in the Eurozone

- For most of the 2000s, most countries in the Eurozone enjoyed healthy growth rates, but persistent inflation differentials and rising current account imbalances were emerging between northern and southern European countries.
- An alarming polarization has emerged between creditor and debtor member states, between the European core and periphery.
- Citizens in northern Europe feel the debtor countries brought their economic problems on themselves and thus must accept the hardships that come with economic and social consolidation.
- In contrast, citizens in the European periphery resent the battery of regressive economic and social policies which are being imposed upon them from the outside in a highly undemocratic manner.

Solving the core/periphery trap within the Euro

- One solution: reduce the size of the Eurozone either by forcing the periphery to leave the single currency or to voluntarily opt to leave – unlikely
- Second solution: create a mutual gains bargain whereby the periphery commit to domestic reform and the core commit to debt relief – unlikely due to the dynamics of domestic politics in north and south Europe
- Third solution: maintaining the Euro with Germany hegemony without credible commitments to domestic reform by the periphery or debt relief by the core – most likely scenario, but the result is continuing austerity and continual mini-crises – the Euro war of attribution

A pragmatic route out of the Euro war of attrition

- Because the core and periphery have sharply different interests and because relations between them are riven with mistrust the prospects for a breakthrough big deal are remote
- One proposal is for pragmatic actions to be launched either to soften the war of attrition or to open a pathway to a negotiated solution to the core/periphery trap
- Zeitlin and Vanhercke (2014) argue that a progressive socializing has been occurring to the European Semester largely through EU coordination of bottom-up social investment experiments in member states
- Interesting line of argument, but the scale of the envisaged pragmatic actions are too small to have any significant impact on the core/periphery trap.

A new EU Social Action Programme

- Major Initiative on Young People and the Labour Market
- Major Initiative on Gender, Work and Employment
- Major Initiative on Housing
- Major Initiative on Transitional Labour Markets
- Major Initiative on Tax Harmonization