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European economic governance: past, present and future

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Prof. dr. Amy C. Verdun

**European economic governance:
past, present and future**



**Universiteit
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The Netherlands

Discover the world at Leiden University

European economic governance: past, present and future

Inaugural lecture delivered by

Prof. dr. Amy C. Verdun

on the acceptance of her position as professor of

European Politics and Political Economy

at Leiden University

on Friday September 27, 2019.



**Universiteit
Leiden**
The Netherlands

Dear Rector Magnificus, esteemed colleagues, friends and family,¹

Someone once said (in abridged form):

“There is a remedy which ... would in a few years make all Europe ... free and ... happy. It is to re-create the European family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and in freedom. We must build a kind of United States of Europe.”²

The person to have spoken these words was Winston Churchill – in Zurich in 1946.

At the end of the Second World War it was clear to many Europeans that the cycle of war needed to end. The French and Germans had been going to war three times in a hundred years and many more times before that. Already during the war, the idea emerged to find a way to integrate European economies so as to make another war unthinkable.³ Hence, with the support of the United States (through the so-called Marshall Plan) but also, with the encouragement of Winston Churchill of the United Kingdom (UK), European integration came about. First in 1949 a human rights organisation was created – the Council of Europe – and then, in 1959, the European Court of Human Rights. Also, during the 1950s three communities were established: the European Coal and Steel Community, the European Atomic Energy Community, and the European Economic Community (EEC). Six member states⁴ participated in these three communities, that were soon collectively referred to as ‘the European Community’, which included the Netherlands and France, but not, right away, the United Kingdom.

The next steps in European integration can be summarised as follows: with many ups and downs the European Community progressed so as to create the European Union (EU). A historically important Treaty, signed at Maastricht, entered

into force in November 1993 – creating the EU that we know today, although numerous treaty changes occurred in the subsequent years, on each occasion altering its constitutional foundation slightly. All this time the EU managed to avoid war among its member states even if there still was a cold war for decades, which was followed by a vicious civil war in Yugoslavia, that broke up that country.

The EU ‘widened’ (that is, more countries joined; it expanded to 28 member states) and ‘deepened’ (meaning more ‘federalisation’, ‘integration’ or ‘supranational governance’) especially in the economic area. In a number of policy areas the EU obtained policy-making authority – in EU jargon referred to as ‘competence’. One of the flagship achievements of the EU was creating the so-called ‘four freedoms’ in the internal market: freedom of goods, services, labour, and capital. Eventually a subset of countries took away border controls through what is known as the ‘Schengen Agreement’. The EU also introduced a European citizenship. For two decades the EU has had its own single currency, which today is shared by 19 of the 28 members. Looking back to the end of the Second World War, there is no doubt: the EU has come very far. Much more integration was achieved than most of the sceptics imagined, back in the late 1940s, or in fact more than any other region in the world has achieved voluntarily. In recognition of this accomplishment, in 2012 the EU won the Nobel Peace Prize for advancing the causes of peace, reconciliation, democracy and human rights in Europe.⁵

Whilst all these developments are worth celebrating, the enthusiasm for the EU has not always kept up. Critics argued that the EU was insufficiently oriented to direct democratic representation and that it did not have sufficient avenues to listen to its people. In the early 2000s a long process emerged that led, in 2004, to the signing by heads of states or governments of 25 member states of the Treaty Establishing a Constitution for Europe. This Treaty notoriously did not get ratified because it failed to obtain support from citizens in

two national referendums – albeit consultative referendums – in two of the founding member states (one of them being the Netherlands).⁶ It was rather ironic, because contrary to earlier treaty changes, which were negotiated behind closed doors in ‘intergovernmental conferences’ only, the 2004 Treaty was based on numerous working groups, consultations with citizens and civil society groups and led to an expansion of the legislative authority of the European Parliament. It even, for the first time, gave some explicit powers to national parliaments, increased efficiency and transparency, and enhanced citizens’ participation. Stripped of the state-like symbols (flag, anthem, that had featured prominently in the Constitutional Treaty⁷), the Lisbon Treaty⁸, which closely followed the former in terms of substance, is what provides the constitutional basis of the EU today. It is worth noting that the Dutch and French were not consulted again in a referendum, nor were any other citizens, apart from the Irish.⁹ In fact, the Irish first rejected the Lisbon Treaty in 2008 and then in 2009 voted another time following some assurances. Although the UK government had been one of the ten member states to offer its citizens a referendum on the Constitutional Treaty, it did not arrange a referendum on the Lisbon Treaty. Critics argue that the Brexit can be traced back to this period.

The global financial crisis served as another reminder of the challenges that the EU had to face. With the onset of a major sovereign debt crisis, the EU economic architecture showed signs of collapse. It became clear that although the currency is supranational, its governance is national: the budgets are national and most government instruments are national. Thus, to try to address the issues brought to the fore by the crisis, over a number of years, new institutional structures have been devised, which enabled the EU to deal with the immediate issues at hand. This period made abundantly clear that the EU is still in an in-between state. In this sense the words of Lord William Wallace, dating back to 1983, still apply today, namely that the EU is ‘Less than a federation. More than a regime.’¹⁰

To make any changes requires strong support from national member state leaders, EU institutions and EU citizens. Initially the EU did not seem to be too interested in the role of citizens. It took till 1979 for the members of the European Parliament to be directly elected, and even still, at that time the role of the Members of the European Parliament (or MEPs) was predominantly consultative rather than legislative. It meant that the voice of the citizens in passing laws was at best indirect: it went through the votes of their national government ministers, sitting together in the various Councils at the EU level, rather than through a citizens’ representative in the EP. But over time, the role of the European Parliament improved. Also, during the second half of the 1990s and early 2000s the European Union put together various working groups to look at issues surrounding governance and in 2001 published its white paper on governance.¹¹ With each treaty change more attention was given to the role of democratic principles and the representation of citizens. The various referendums that displayed negative attitudes towards the European project led the EU to pause. It was becoming more and more difficult to change the constitutional foundation of the EU. For each treaty change the member states heads of states or governments have to approve, and then the EP and national parliaments, and, as I already mentioned, in some cases a referendum had to be won.¹²

In fact, these developments have left the EU leadership scarred: how to deal with changes to the EU governance and institutional edifice? How to negotiate a complete package and obtain approval by the relevant bodies, if one member state (a government and/or parliament and in some case citizens speaking out in a referendum) can block it? With a number of referendums having been held more than once, both the respective member state and the EU can be forgiven to think that it then could become a bilateral bargain. Nay-sayers in a referendum could embark on ‘strategic voting’ so as to hope to get a better deal in the second round. Strong advocates of

salient issues can capture the population and rally support for opposition. If it happens too often that a referendum result is not respected, but used as an opportunity to renegotiate and hold another referendum, then one is forgiven for concluding that apparently the EU does not accept the outcome of a referendum until the desirable answer has been given. It is becoming an unworkable way to deal with major change in the EU, whether you like the EU or not. It is also one of the reasons why the UK is struggling with the outcome of the 2016 referendum. Offering a second referendum, could be framed as ‘not respecting’ the 2016 referendum outcome, and UK eurosceptics would label it as ‘undemocratic’.¹³

At the heart of the challenges that the EU is facing lie questions such as, what do we collectively want the EU to do? What government structures and policies do we need to support these ambitions? Which of the policies and competences (powers) could and perhaps *should* be best developed and expanded at the EU level? Which are better dealt with at a lower level of government? (This principle is referred to as ‘subsidiarity’: that is, that tasks should be executed at the level closest to the level that can best take care of their resolution).¹⁴ In the EU context, using subsidiary as a principle with the meaning to *curb the powers* of the supranational level authorities materialised only in the early 1990s, when the term became centre stage; it was further promoted in response to the first ‘no’ to the Maastricht Treaty in the Danish referendum). How can we ensure that good governance principles such as democracy, effectiveness and efficiency are adhered to? These are some of the questions that my Chair asks through a number of projects that I am involved in with collaborators and PhD students.

In the remainder of my inaugural address I hope to provide you with some thoughts as to why I think there is a sense of urgency around the need for the EU to seize the moment, so as to develop further the EU institutional architecture sooner rather than later and what challenges we are facing. I will give

you a bit of my own personal background as to how I ended up studying these issues. I will also place these issues in a broader context and conclude by introducing to you the kinds of research projects that my Chair of European Politics and Political Economy explores.

A Window of Opportunity

Here, at Leiden University, the term just started and there still is a palpable sense of excitement among our students and staff as they start their new academic year. The European Union is experiencing a similar sense of anticipation – although perhaps more trepidation – about the start of *its* new political year, which is in many ways very new indeed.

This autumn new leadership takes over in the EU institutions: in the European Commission (which also generates numerous new persons in high offices) the European Parliament (with new and old Members of the European Parliament but all on a new mandate), and even soon a new president of the European Central Bank. A new mandate with the prospect of having a few years in those roles provides these European politicians, this time many of them women, with a time horizon of five years – which offers a real window of opportunity. There are numerous issues to deal with, however.

Brexit

One such major agenda item is to deal with the Brexit¹⁵ - the United Kingdom leaving the EU. At the time that I finalised this text¹⁶, it was still officially scheduled to take place at the end of next month.¹⁷ It may seem surprising that back in the spring EU leaders chose the date of 31 October in response to the request from the UK for an extension. From the point of view of a new European Commission, which takes office on 1 November, it is perhaps not so strange to want the Brexit file closed by the time they start their new jobs. However, picking Halloween night inevitably generated a lot of jokes: “Take bat control”; “Brexit: Trick or Treat”.¹⁸ The appointment of Boris Johnson as Prime Minister on 24 July 2019, and his maverick

treatment of the Brexit process in the first weeks of his role as Prime Minister, indeed left markets, politicians and citizens *spooked* about a possible no-deal, hard-Brexit on 31 October.¹⁹ There is never a dull moment in politics. But the Brexit issue in early September already led to a week of unprecedented historical challenges to Prime Minister Boris Johnson.²⁰ For 3½ years, the Brexit dossier has been one that is difficult to control and almost impossible to predict.

6 So far EU-level politicians and other national leaders have been staying out of UK internal politics.²¹ They are doing so not only because it is a domestic affair. Perhaps more: the rest of the EU (and probably the UK establishment itself) is profoundly unclear as to what the Brits actually want. Be that as it may, EU leaders have acted in public as if the Brexit is not such a major issue to the rest of the EU (often referred to as the EU-27) and maintained a united front. Various leaders have on occasion indicated that the EU has other major issues to attend to – or so the argument goes.²² These priorities, (formulated for the period 2014-2019) by Commission President Jean-Claude Juncker, include perennial issues such as: jobs, growth and investment, developing further a deeper and fairer economic and monetary union, the (digital) single market and the regular internal market, security and justice as well as energy security, climate change, migration, global trade issues, the future of the world order, making the EU more democratic and so on.²³ Of course, all these are major issues too, but the impact of a Brexit going sideways or the sheer uncertainty of the arrangements are still enough to make any national or EU-level European politician worried.

Economic governance of the euro area

But let's assume for a moment that the Brexit situation is not going to end up with a hard Brexit on 31 October or drag on without further clarity on that day. To put another way: let us assume that the Brexit file finds smoother water, and can be dealt with by experts, lawyers and technocrats and is no longer demanding so much attention. This would be the time for EU

and member state politicians to deal with another major issue (not unrelated to the reason why the UK left the EU): namely the future of Europe. I am interested in particular in one aspect of it, namely the question of economic governance of the EU and relatedly what kind of EU we want.

The situation the EU is facing currently is very exciting because of the importance of what professor Klaus Goetz (of the London School of Economics and Political Science) and others have called 'political time'²⁴. Any change that the EU wishes to make, especially big fix issues (for instance those that could necessitate treaty change), requires that a number of factors be lined up. From Agenda-Setting theories (for instance we know through the work of Sebastiaan Princen) one learns that one needs to find the right venues that are the most favourable for the issues at stake.²⁵ In my work with Assem Dandashly on euro adoption strategies we identify various domestic political factors that play a role in effective decision-making on a difficult issue (e.g. lack of imminent elections for leading players, strong leadership, salient issues that leadership is willing to tackle, and a feeling of urgency or need).²⁶ In other words, after sorting out the Brexit file, with new leadership, and a good time horizon, this autumn (and for that matter the rest of the political year) presents a window of opportunity for the EU to deal with a number of these outstanding issues. It is to be hoped that the people in leading places seize the moment and complete some homework that needs to be done.

Unfinished business and a personal journey

Let us take a moment to reflect on why I believe there is some unfinished business.

Europe has survived a global financial crisis, but many issues have yet to be completed – especially regarding the economic and monetary institutional architecture of the EU. Some of it has to do with there not being a clear plan; or even if one were to argue that there *is* a plan, it is still incomplete. The European Union responded to the euro area crisis with new institutional

structures, known as a ‘six pack’, ‘two pack’, ‘fiscal compact’, a ‘banking union’, a ‘four presidents report’, a ‘five presidents report’, a ‘white paper on the future of Europe: five scenarios’ and a ‘reflection paper on the deepening of economic and monetary union’.²⁷ Yet despite the existence of these many pieces of legislation and forward-looking reports, there is still a lack of a clear understanding of the actual roadmap. My current research seeks to look at the issues surrounding the institutional structure of economic and monetary union and the trade-offs we face along the way.

Before I go into this matter, let me take this opportunity to give you a bit of the history, my own personal journey, as to how I became interested in these issues.

In 1989 encouraged by my Master’s thesis supervisor Leo van Eerden I read a report of the *Wetenschappelijke Raad voor het Regeringsbeleid* (WRR – in English: Netherlands Scientific Council for Government Policy) about a possible economic and monetary union (EMU) for the European Community.²⁸ It suggested steps towards the creation of an EMU in Europe. My question then and there was to understand why countries would give up sovereignty over their monetary policy and hand it over to the Community level? It triggered the research question for my Master’s thesis that focused on this question for the Netherlands. The qualitative research I did for this research project included interviewing their European and monetary experts from five political parties, the trade unions, the employers’ organizations, the Dutch central bank and the Dutch ministry of finance. The conclusion of this case study of the Netherlands was that this country was no longer using the policy space to set its own independent monetary policy. Instead, for a decade or more it had been closely following German monetary policy. Thus, formalising this arrangement was not perceived to be such a big deal. By identifying that the cost of EMU (giving up monetary sovereignty) had already occurred, there was the potential of capitalising on potential benefits. These included, but were not limited to, that the

Netherlands would be part of setting monetary policy, thereby being able to have some influence (even if only small) on European level monetary policy-making. In other words, the benefits outweighed the costs.²⁹

Soon after I was contemplating doing a PhD at the European University Institute in Florence, I thought to myself that it would be unlikely that large member states, such as France, Germany, and the United Kingdom, would have similar stances regarding transferring sovereignty to the European level. Thus, I decided to build on this pilot study on the Netherlands and research perceptions of EMU in these three countries – making that my doctoral research. The lessons I learnt from those three cases were less straightforward, but not altogether different. The French felt themselves in the shadow of Germany and were seeking ways to regain control, and preferred the EU level rather than challenge Germany head on. Germany had just reunified and was trying to find ways to optimise its policy within a European context – basically to incorporate the Germany institutions and practices at the EU level. The UK was perhaps the most remarkable: the policy-makers I interviewed were often not even principally against joining Europe’s single currency, but it was deemed politically not desirable at that time. However, the British policy makers were still scarred from their early experience with European integration. They wanted to avoid repeating the situation of the 1960s, where that country was forced to stay on the sideline and had to wait for a decade to join the European Community (which eventually only occurred in 1973). During the 1960s and 1970s much of the EU policies were set up to reflect the interests of those six member states that made up the Community. When the UK joined they were confronted with institutions and policies that were not ideal for the UK (such as the way the Common Agricultural Policy was set up). When the UK joined they had to arrange for other policies to complement the Community policies (such as developing regional policies from which they could benefit). In the negotiations around EMU the Brits wanted to apply

lessons learnt from that earlier episode by taking a real interest in the design of EMU. They provided various draft plans, fully participated in the discussions, and set up the institutional structures so as to shape Europe's economic and monetary edifice as much as possible to their liking, as they might want to join one day.³⁰

8 In the years following I embarked on numerous other projects that were not so closely related to Europe's economic and monetary issues. These included for example comparing Canada and the EU and examining a number of other policy areas (such as social policy, agricultural policy, and foreign policy). I also examined the relationship between the EU and its neighbours and also how the EU was being perceived by the Brics (the new upcoming large nations of world: Brazil, Russia, India, China and South Africa). Another topic I have kept a keen interest in is to understand the nature of governance and integration in the EU also from a more theoretical perspective. I also took an interest in examining issues of legitimacy, accountability and democracy. When the EU enlarged to 25 members, I wanted to understand why the ten new member states that joined in 2004 chose to join the euro area fast or slow (a project I am still finalising this autumn). More recently my research has been on questions about Europe's economic governance during and in the wake of the global financial crisis. The EU has set up ad hoc provisions to deal with the problems produced by the sovereign debt crisis. But even today, with the crisis formally behind us, and steps having been taken to set up new institutional structures, one of the questions I am keen to explore, and in doing so I try to draw on my earlier insights, is whether the EU is well enough prepared for a potential next crisis.

One of the challenges that the euro crisis unearthed is the fact that the incomplete integration of the EU led to challenges for public finance. The European Central Bank sets monetary policy, but budgetary and fiscal policies remain national. In a federal state (or in a unitary state for that matter) the

'automatic stabilizers' that kick in in case of a crisis are usually also at the same 'level'. An example of an 'automatic stabilizer' would be unemployment benefits. If the crisis makes people unemployed, the state would provide people with unemployment benefits. If one compares this situation with a federal state such as Canada, the funds that would be given back to the citizens in unemployment money, in this regard come from the federal level.³¹ Furthermore, there are also transfer payments from the federal level to those provinces in the federation that are not doing so well. In the Canadian context this is referred to as transferring funds from the 'have' to the 'have not' provinces. In this way provinces that are having a good year are providing some funds to other provinces that are going through a difficult time. These need not always be the same provinces. With the financial crisis in Canada, a province such as Ontario that traditionally had been a 'have' province became a 'have not' province (as the automobile industry and other such industries suffered greatly during the crisis). Ontario benefitted from support from the federal level indirectly having other provinces provide support to these provinces through a federal system of transfers. However, in the EU context the EU level budget is very small, about 1% of Gross National Income (GNI) or 2% of the combined national budgets of all 28 EU member states.³² In the Canadian context there are premiums collected to provide the unemployment benefits and pensions. In the EU context, the moment one country was suffering from the crisis, there were virtually no mechanisms to off-set these negative effects – no so-called 'automatic stabilizers' to speak of. In addition, some effects were amplified compared to the period before these countries had a single currency. Before EU countries adopted the euro, there would have been the opportunity to allow the exchange rates to fluctuate and in this way have another automatic stabilizers (as people sell the national currency, the currency goes down, making it easier to compete in international markets). That element is no longer there. In fact, as Professor Paul De Grauwe, from the London School of Economics, has demonstrated, having the single currency provided these

economies that are experiencing difficulties with an even more difficult period. Investors can more easily sell the assets, denominated in euro, associated with the country in question, and instead buy assets in another euro-currency country and not even suffer the exchange rate risk, but money is leaving the country. In so doing the effect of the downturn is further amplified.³³ Even though the single currency gives positive effects³⁴ for trade and the economy by having a larger market, during a downturn the citizens do not experience those effects. Citizens then feel the crunch. Many of them are unemployed and governments are cutting back expenditure (retrenchment). No wonder citizens blame Europe. This is understandable because the citizens (and scholars) are unable to assess the precise direct and indirect effects of what European integration brings them. By contrast, national governments have the larger budgets: they deliver the social benefits. Furthermore, because the equivalent funds that could be provided at the EU level are quite modest (one percent of GNI is not very much) the blame can easily be put on the EU level authorities for recommending retrenchment. Having said all that, it is perhaps remarkable that European citizens still place quite a bit of confidence in EU level institutions. At the same time, should one want to contemplate setting up the EU (or the Euro Area) more in the image of a federal state, that is, further deepen European integration, one needs a set up that meets what member states and citizens accept, which in turn, is also closely connected to trust in institutions.

Support for European integration

With the financial crisis many citizens, particular in those countries that were affected most by the eurodebt crisis, were increasingly disgruntled by European integration, for some of the reasons just mentioned. In their experience, the EU let them down and was unable to provide support in a timely fashion. Indeed, during the financial crisis more generally trust in national governments also declined. The migration crisis was another major setback. Many observers, as well as increasingly more right-wing and populist political parties,

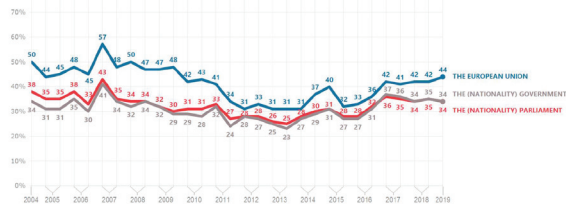
have argued that the migration crisis has not been dealt with adequately. The response through suggested 'quotas' seemed to be not thought through adequately. And without an EU-system the *de facto* system in place (first arrival place or what is referred to as 'the Dublin convention') meant that those countries with shores on the Mediterranean would end up having to carry the brunt of the first-time response. We have heard many stories of hospitality on Greek islands; that same 'Greece' that itself was going through tremendous restructuring, unemployment and economic decline, was also asked to respond to the migration crisis. Some of the countries of central and Eastern Europe, were also less than pleased with the EU response to the migration crisis.

Recent Eurobarometer surveys show however an increase in support for the EU.³⁵ In what follows I will discuss Eurobarometer data because it is a very useful source of information about European citizens. Yet there are various studies (including a recent one by Jelke Bethlehem and Joop van Holsteyn) that recommend that one pauses to reflect on the limitations of his particular opinion poll.³⁶ Even if taking the results of the Eurobarometer with a grain of salt, the statistics do provide an indication that the EU has become more accepted among EU citizens.³⁷ This insight is also backed up by a few other opinion polls conducted in the same time window. Some venture to speculate that perhaps the Brexit is one reason why the EU citizens have become a bit less critical. The Eurobarometer shows that many of the citizens who have been polled indicate that they think that the European Parliament has grown in importance and many also identify the European Parliament as one of the institutions they have most trust in. These statistics came out in Spring 2019 in advance of the EP elections. It was therefore a welcome confirmation, even if still somewhat surprising, that the EP parliament elections showed the highest voter turn-out in twenty years, with more than 50% of the eligible voters turning out to vote (an increase of 8 percent compared to the last elections).³⁸ One does need to place these results in context:

European citizens typically show up in larger numbers in national elections, but at least a disturbing downward trend in voting turnout at EP elections had been halted.

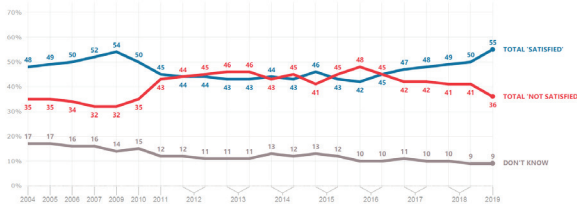
The most recent (spring 2019) Eurobarometer shows continued trust in the EU, but not necessarily support for all of the EU policies.³⁹ It suggests that the EU is trusted more than

QA6a I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it. (% - EU - TEND TO TRUST)



the national government or parliament.⁴⁰
 In terms of democracy, we also notice a marked improvement

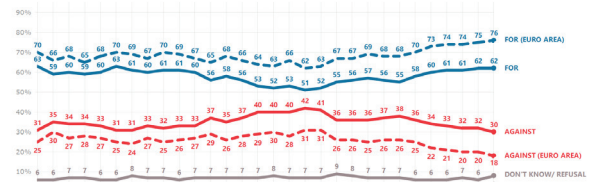
QA17b And how about the way democracy works in the EU? (% - EU)



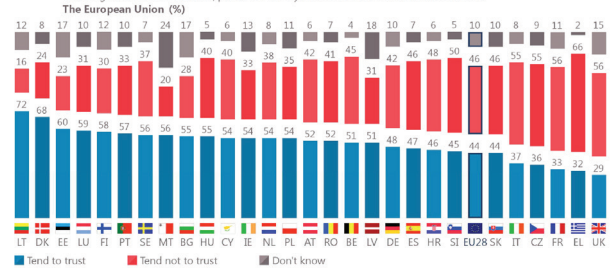
in the public opinion:

Why is all this of relevance? If the EU is to take significant steps in improving the institutional architecture of the EU in particular in the domain of economic and monetary governance, especially given the current backlash of eurosceptic and populist extreme-right wing parties, one needs to know if there are some fundamentals that support working on it. The Eurobarometer finds there to be strong support for EMU and the single currency:

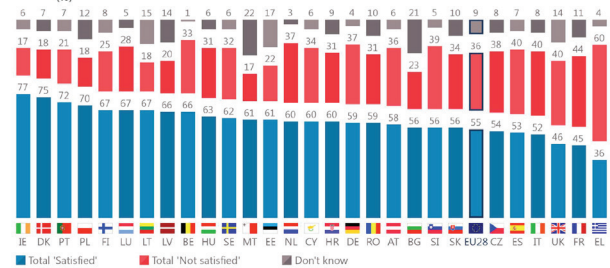
QA16.1 What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it. A European economic and monetary union with one single currency, the euro (% - EU)



QA6a.10 I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

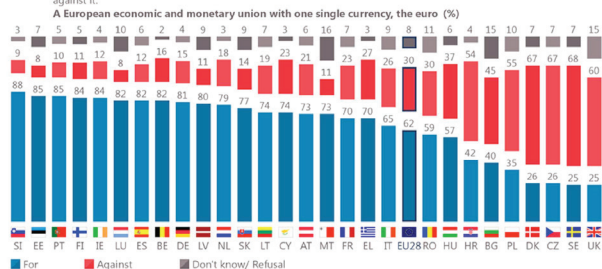


QA17b And how about the way democracy works in the EU? (%)



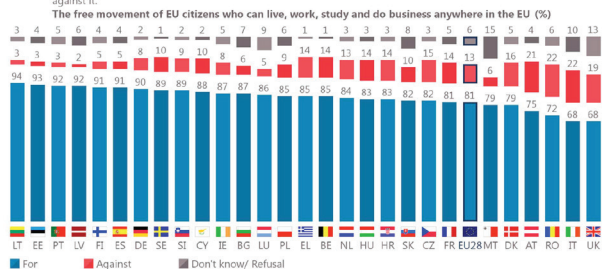
By contrast, as I started off talking about Brexit, the UK

QA16.1 What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.



citizens until Spring 2019 were still much less trusting of the

QA16.9 What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.



EU than other EU citizens:

They also are not as happy about the way the EU democracy works (neither are the French and the Greeks, by the way):

Or the policies of the EU, not liking the euro or EMU:

Or free movement of citizens:

These few Eurobarometer opinion polls provide us some insight into the differences among citizens in various EU countries in terms of support for EMU and the euro, EU institutions, but at the same time give us a moment to pause about the opposition in the UK to many EU issues. It provides us another insight into why the UK citizens may on the whole be more reluctant to remain in the EU but also that there might be some room for manoeuvre to consider some changes

to EU economic and monetary governance.

A Research Agenda

Following on these insights, let me turn to summing up in the last few minutes what I hope to be doing with this Chair. My goal is to understand what economic governance implies for the EU. I hope to be part of both academic writing as well as knowledge utilization (speaking to and learning from actors in the policy-making process who deal with these issues in practice). In order to do that, we need to tease out further what some of the trade-offs are in terms of obtaining (what the academic literature has identified as) a more ‘optimal’ policy, given the centralised monetary policy and a much more decentralised ‘economic’ (fiscal, budgetary, macro-economic) policy.⁴¹ This question has been around since the onset of EMU.⁴² With the above-mentioned window of opportunity opening, one now has the prospect to do some creative thinking and see what might be the next steps. This research implies delving into whether current economic governance systems work; if not, what might be steps to take to improve them? What can we do to ensure that citizens do not feel left out? In this regard, with a group of scholars we are assessing the European Semester.⁴³ To this effect in spring 2019 we held a conference in Portugal and are organising a conference in Italy later this autumn. We are seeking to understand how the interaction works between the EU level and the national level. How do Country-Specific Recommendations get received and incorporated into domestic policy-making? In a next stage we also seek to investigate the perceived legitimacy and effectiveness of the European Semester by citizens and civil society groups as well as domestic economic actors and institutions.

With a few colleagues⁴⁴ we are also researching the institutional structures that were created with the financial crisis.⁴⁵

There are several other projects that I am involved with, larger and smaller but I would not want to bore you with too much

shameless self-promotion, so I am happy to discuss those projects with you at the reception that will follow, and you can of course google that yourself.

The future?

What are the problems that lie ahead? As we enter this next stage in European integration, students and scholars will increasingly notice that their work will be coloured by academic questions and policy implications. For the time I am on this Chair I hope I can be involved in both. These are challenging times and it is clear to me that no single person can understand by him or herself all the intricacies of the issues before us. We need a time to engage, both within the academy (including our students) but also with policy-makers, journalists, and members of civil society and citizens.

A closing word of thanks

Let me take this final moment before we head out, to thank a number of persons without whom I would not be here today. First of all, let me thank those at the Leiden University who made my appointment to this chair possible: Carel Stolker, Rector Magnificus and President of Leiden University; Professor Hanna Swaab, who was in the role of Dean of the Faculty of Social and Behavioural Science during my appointment; the three members of the Board of the Institute of Political Science, Dan Thomas, Maria Spirova, and Joop van Holsteyn and the others in the Institute of Political Science and the Faculty who make my work here possible. I thank you all for having placed your confidence in me, by nominating me to this Chair. Many of you have come out today – again my thanks. There are many others I would want to thank but who are not here. As I sought to express, during the earlier part of this inaugural address, a good number of my research projects are collaborative. Thus, I have a long list of thanks to current and past teams of researchers with whom I have the privilege to work. I cannot thank you all by name, but please allow me to thank you here collectively. I also want to express my gratitude to my earlier supervisors, for without their assistance

and guidance I would not be here today. My Master's thesis supervisor, Leo van Eerden, is here today. I owe him a debt of gratitude for having encouraged me early on to embark on this research agenda and to encourage me to do a PhD. My supervisors for my PhD dissertation, Susan Strange and Roger Morgan, who have both been generous with their time during my PhD dissertation including supporting me in doing fieldwork and getting involved in the EU institutions early on. Susan Strange was even quite instrumental in helping me find my first permanent position. They both passed away already some time ago and I am sad they were not able to be here to witness this moment. My postdoctoral supervisor, Jeremy Richardson is still around but far away - in New Zealand. I am grateful for his support during my postdoc at the University of Essex and, from time to time, providing me with his wise counsel. I also wish to thank numerous colleagues from the University of Victoria, Canada, who could not be here today, but they contributed to the path that led me to stand here today. A very special word of thanks to my most immediate family for supporting me all along: my mom and dad, my partner, Paul Schure, and our four children. Most of the rest of the people who are gathered here today are either friends, family, colleagues or people I know from my new work here at Leiden University. Thank you all for coming out and listening to me. Let us now have that drink and a bite to eat.

Thanks for your attention.

Ik heb gezegd.

Notes

- 1 Thanks to Joop van Holsteyn, Paul Schure, Audrey and Hage Verdun for comments on earlier versions of this lecture.
- 3 <https://winstonchurchill.org/resources/speeches/1946-1963-elder-statesman/united-states-of-europe/>
- 3 In 1943 Jean Monnet addressed the (National Liberation Committee (French government in exile) and said: “There will be no peace in Europe if the States rebuild themselves on the basis of national sovereignty, with its implications of prestige politics and economic protection (...). The countries of Europe are not strong enough individually to be able to guarantee prosperity and social development for their peoples. The States of Europe must therefore form a federation or a European entity that would make them into a common economic unit.” <http://www.historiasiglo20.org/europe/monnet.htm>
- 4 The original six member states are Belgium, France, Italy, Luxembourg, Netherlands, West Germany.
- 5 The Nobel Peace Prize 2012. NobelPrize.org. Nobel Media AB 2019. Thu. 5 Sep 2019. <<https://www.nobelprize.org/prizes/peace/2012/summary/>>
- 6 Governments of ten countries offered to hold referendums to consult their population about it. These countries are Czech Republic, Denmark, France, Ireland, Luxembourg, the Netherlands, Poland, Portugal, Spain and the United Kingdom. Only Ireland requires a referendum to pass an EU treaty. The governments of the other nine countries planned to consult their populations about the Constitutional Treaty, but only four did; after the results of the Dutch and French referendums the other planned referendums were postponed indefinitely/cancelled.
- 7 ‘Draft treaty establishing a constitution for Europe (not ratified)’ <http://www.europarl.europa.eu/factsheets/en/sheet/5/the-treaty-of-lisbon>.
- 8 <http://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/draft-treaty-establishing-a-constitution-for-europe>
- European Parliament (2019) ‘The Treaty of Lisbon’ Fact Sheets on the European Union, prepared by Roberto Panizza (04-2019).
- 9 Referendums on the Constitutional Treaty were not held in the Czech Republic, Denmark, Ireland, Poland, Portugal.
- 10 Wallace, W. (1983). Less than a federation. More than a regime: The community as a political system. In H. Wallace & W. Wallace (Eds.), Policy-making in the European Community (pp. 403-436). Oxford: Oxford University Press.
- 11 Commission of the EU (2001) ‘European Governance – A White Paper, 25 July, COM (2001) 428 final. Bertrand, Emanuel (2017) ‘The European Commission’s White Paper on European Governance (2001)’, Encyclopédie pour une histoire nouvelle de l’Europe [online], ISSN 2677-6588, 2016, published 10/10/2017, consulted 09/09/2019. Permalink : <http://ehne.fr/en/node/1101>.
- 12 Three years ago, in autumn 2016, we observed similar challenges around the ratification of the Canada-EU trade treaty (the Comprehensive Economic and Trade Agreement) which had to be passed, not only at the EU level (including the EP), but also in more than thirty national and even in some cases through sub-national parliaments. The tiny Walloon parliament managed to hold the EU hostage for a few weeks until an acceptable compromise could be reached.
- 13 It would give the critics ammunition to argue that the referendum result had not been respected, and make references to EU cases in which this occurred (Denmark voted twice on adopting the Maastricht treaty in 1992 and in 1993 – the citizens voted 50.7% against in 1992; and 56.7% in favour in 1993); Ireland voted twice on the 2001 Treaty of Nice – 34.8% of the citizens voted, of which 53.9% voted against in June 2001; they voted again in October 2002 with 62.9% in favour with a turnout of 49.5%). Already mentioned above were the two Irish referendums (2008; 2009) on the Lisbon Treaty. The first time the 53.2% of the voters (turnout of 53.1%) voted against; in 2009 after been given some guarantees, 67.1% of the Irish voters were in favour with a turnout of 59.0%.

- 14 What is often overlooked however is who and why put subsidiarity forward. Kees van Kersbergen and Bertjan Verbeek remind us that when subsidiarity was put on the agenda, it was by Christian democratic MEPs in the late 1970s. The goal was in fact to increase the competences of the European Commission. In the 19th and 20th century subsidiarity was a catholic principle introduced to find a middle road between the too much state and too little state. Subsidiarity has also had a strong role in Dutch politics, advocated by Dutch catholic politicians as a way to curb unnecessary interference of government (for instance as a way to determine whether a compulsory medical insurance needed to be introduced or not). See: Kersbergen, Kees van and Verbeek, Bertjan (1994) 'The Politics of Subsidiarity in the European Union' *Journal of Common Market Studies*, 32(2): 215-236.
- 15 Brexit: the informal name used to describe the process of the United Kingdom (UK) leaving the European Union.
- 16 The text for this inaugural address was finalized on 8 September 2019.
- 17 The House of Commons and the House of Lords had just passed a bill to force the Prime Minister to ask for another extension if he had not brokered a deal by 19 October.
- 18 Paul Brand (11 April 2019, 2:53). And "Technically Ron" tweeted (11 April 2019, 10:17) wrote: "Can't wait to dress as Brexit for Halloween this year. Basically I'll turn up to parties, say I'll make them better, ruin everything and shout at people for complaining about it."
- 19 Financial Times (2019) 'UK pound falls to lowest level since 2016 flash crash', by Adam Samson, <https://www.ft.com/content/051558ae-ce11-11e9-99a4-b5ded7a7fe3f>
- 20 Politico (2019) 'Boris Johnson inches closer to a Brexit election gamble', 5 September. The week got even worse when Parliament came back from Summer Recess. A member (Philip Lee) defected which led the Conservative Party to lose its razor thin (one-seat) majority in the House of Commons. A private members' bill got adopted to ask for a emergency debate to block a no-deal Brexit. Johnson expelled 21 members from the Conservative Party (among whom the grandson of Winston Churchill) for voting against him. Later that week his brother resigned, and when he requested to pass a bill to have early election, he could not find a 2/3 majority needed to hold early elections. All in all, it seemed that he had lost control over the Brexit process; see <https://www.brookings.edu/blog/order-from-chaos/2019/09/05/brexit-endgame-boris-johnson-loses-control/>.
- 21 In fact, Jean-Claude Juncker stated (7 May 2019 press conference) that he regretted having kept silent on the lies of the UK 'leave' campaign.
- 22 Reuters (2017) 'Macron has bigger fish to fry than Brexit' by Swaha Pattanaik, 8 May 2017, 1:20pm.
- 23 European Commission (no date) '10 Commission priorities for 2014-2019', https://ec.europa.eu/commission/priorities_en
- 24 Goetz, K.H. and Meyer-Sahling, J-H. (2009) 'Political time in the EU: Dimensions, approaches, theories.' *Journal of European Public Policy* 16(2): 180-201. Meyer-Sahling, J.H. and Goetz, K.H. (2009) 'The EU timescape: From notion to research agenda', *Journal of European Public Policy* 16(2): 325-336. Goetz, K.H. (2015) 'Political Leadership in the European Union: A Time-Centred View', *European Political Science*, doi:10.1057/eps.2015.115.
- 25 See for instance Princen, S. (2011) 'Agenda-setting strategies in EU policy processes', *Journal of European Public Policy*, 18(7): 927-943, DOI: 10.1080/13501763.2011.599960.
- 26 Dandashly, A. and Verdun, A. (mimeo) *Joining the Euro Area? Central and Eastern European Countries and their Quest for Euro Adoption*.
- 27 See among others Dawson, Mark, Enderlein, Henrik and Joerges, Christian (2015) *Beyond the Crisis: The Governance of Europe's Economic, Political and Legal Transformation*, Oxford: Oxford University Press.
- 28 De Grauwe, P. (et al.) (1989) *De Europese Monetaire Integratie: Vier Visies. Voorstudies en achtergronden / Wetenschappelijke Raad voor het Regeringsbeleid*, ISSN 0169-6688; V66) The Hague: SDU

- 29 Verdun, A. (1990) *Naar een Economische en Monetaire Unie (1970-1990): Een Analyse van de Politieke Beleidsruimte in Nederland. (Towards Economic and Monetary Union: An Analysis of the Political Room for Manoeuvre in the Netherlands)*. Doctoraal-Scriptie Internationale Betrekkingen (Master's Thesis International Relations). University of Amsterdam, 310 p.
- 30 Many casual observers might think that the UK was never interested in joining the Euro Area. However, there was a time, under the leadership of Tony Blair, when the UK seriously considered joining the euro. I did interviews at this time and noticed the highly political nature of that decision. In the end the challenges around the Iraq war undermined Blair's leadership and he could not take on such a controversial issue. The window of opportunity of the UK possibly considering joining closed.
- 31 Wood, Donna E. (2017), 'A European Unemployment Benefits Scheme: Lessons from Canada', Centre for European Policy Studies, Brussels, available at <https://www.ceps.eu/publications/european-unemployment-benefits-scheme-lessons-canada>.
- 32 https://ec.europa.eu/info/strategy/eu-budget/how-it-works/fact-check_en
- 33 De Grauwe, Paul (2011) 'The Governance of a Fragile Eurozone' CEPS Working Document, No 346, May.
- 34 See inter alia Mongelli (2008) 'European Economic and Monetary Integration, and the Optimum Area Theory', European Economy, Economic Papers 2008-2015, DG ECFIN, European Commission.
- 35 European Commission (2018) Standard Eurobarometer 89, Spring: Two-thirds of the Europeans considered EU membership 'a good thing'. Their concerns are predominantly fighting 'terrorism (49%); youth unemployment (48%) immigration (45%) economy and growth (42%) as priorities in the election campaign. In spring 2019 the issues that citizens felt were the most important were immigration and climate change (QA5); and facing their country are unemployment, cost of living; and health/social security (QA3a).
- 36 Bethlehem, Jelke and van Holsteyn, Joop (2017) 'Eurobar? Onderzoekstechnische haken en ogen van de Eurobarometer', Bronner, A.E. (et al.) (eds) *Ontwikkelingen in het marktonderzoek Jaarboek 2017 Markt Onderzoek Associatie Spaar en Hout Haarlem*, hoofdstuk 8, pp. 111-128. Zie ook Nissen, S. (2014). *The Eurobarometer and the process of European integration: Methodological foundations and weaknesses of the largest European survey*, *Quality & Quantity*, 48(2), 713- 727. Höpner, Martin and Jurczyk, Bojan (2015) 'How the Eurobarometer Blurs the Line between Research and Propaganda', MPIfG Discussion Paper 156 Cologne: Max Planck Institute for the Study of Societies. See also: Schmitt, H. (2003). 'The Eurobarometers: Their evolution, obvious merits, and ways to add value to them,' *European Union Politics*, 4(2), 243-251.
- 37 See also <https://ioresearch.nl/Home/nederlandse-kiezer-ziet-rol-voor-eu-bij-grote-vraagstukken-van-deze-tijd#.XXcgUi3L3OQ>
- 38 European Parliament (2019) '2019 election results', 24 June, <https://election-results.eu/turnout/>.
- 39 European Commission (2019) Standard Eurobarometer 91. Spring.
- 40 One needs to be careful with these aggregates because the Eurobarometer adds up the results of individual member states not all citizens of the EU. Thus a small country is relatively overrepresented in this picture compared to a large member state.
- 41 Verdun, Amy (2018) *Institutional Architecture of the Euro Area* *JCMS: Journal of Common Market Studies*, Vol 56, (S1): 74-84.
- 42 Verdun, Amy (1996), 'An "Asymmetrical" Economic and Monetary Union in the EU: Perceptions of Monetary Authorities and Social Partners.' *Journal of European Integration* 20 (1): 59-81. Verdun, Amy (2000), *European Responses to Globalization and Financial Market Integration. Perceptions of Economic and Monetary Union in Britain, France and Germany*. Basingstoke/New York: Palgrave-Macmillan / St. Martin's Press.

- 43 D’Erman, Valerie, Jörg Haas, Daniel F. Schulz and Amy Verdun (2019) ‘Measuring Economic Reform Recommendations under the European Semester: ‘One Size Fits All’ or Tailoring to Member States?’ *Journal of Contemporary European Research*, Vol 15, Issue 2, pp.194-211, <https://www.jcer.net/index.php/jcer>.
Jean Monnet Network – The Politics of the European Semester: EU Coordination and Domestic Political Institutions (EUROSEM) 2018-2021 grant from Erasmus + (European Commission).
See also: Verdun, Amy (2018) ‘Introduction: The European Semester as a New Architecture of EU Socio-Economic Governance in Theory and Practice’ with Jonathan Zeitlin *Journal of European Public Policy*, Vol 25 No 2: 137-148. <https://doi.org/10.1080/13501763.2017.1363807> (published on early view 29 Aug 2017). Verdun, Amy and Zeitlin, Jonathan (eds) (2018) Guest co-editors of a Special Issue of the *Journal of European Public Policy*, Vol 25 No 2, pp. 137-286 “The European Semester as a New Architecture of EU Socio-Economic Governance in Theory and Practice” (also reprinted as a book with Routledge).
- 44 With Paul Schure, sitting here in the hall, and Valerie D’Erman, who is based in Victoria, both are co-editor with me on this project. The results are due to be published in a two-part special issue of the *Journal of Economic Policy Reform*.
- 45 This project builds on a five-year Social Sciences and Humanities Research Council of Canada (SSHRC) research grant (2015-2020), held by Amy Verdun (University of Victoria and Leiden University) and another SSHRC workshop grant. The papers collected in the Special Issues were first presented at a workshop held in February 2017 in Victoria, BC, which brought together leading experts from a number of academic disciplines and several central banks (“Politics of the Euro Crisis: The Creation of New Institutions and their Impact on Member States”). It was co-sponsored by the European Union Centre of Excellence (EUCE) at the University of Victoria (UVic) and UVic’s Department of Economics, Department of Political Science, and Faculty of Business.

CV

Over Amy Verdun

Amy Verdun (1968) is per 1 juli 2018 benoemd tot hoogleraar Europese Politiek en Politieke Economie aan de Faculteit Sociale Wetenschappen aan de Universiteit Leiden. In deze leerstoel staat onderzoek naar Europese economische en politieke bestuursvormen centraal, in het bijzonder binnen de context van de economische en monetaire unie.

Verdun studeerde cum laude af in de politicologie aan de Universiteit van Amsterdam, waar zij zich specialiseerde in Internationale Betrekkingen en Internationale Politieke Economie. Zij promoveerde, aan het Europees Universitair Instituut te Florence, op het onderwerp percepties van beleidsmakers in het Verenigd Koninkrijk, Duitsland en Frankrijk over de Economische en Monetaire Unie. Haar postdoc heeft ze voltooid aan de University of Essex, Verenigd Koninkrijk.

Zij heeft meer dan 120 peer-reviewed wetenschappelijke artikelen en hoofdstukken op haar naam staan, en tevens 20 boeken gepubliceerd en waaronder Ruling Europe: The Politics of the Stability and Growth Pact (Cambridge University Press). Haar meest recente boek is studieboek (mede geredigeerd door A. Hurrelmann and E. Brunet-Jailly): European Union Governance and Policy Making: A Canadian Perspective (University of Toronto Press).

Ze was van 2010-2017 (samen met M. Cini) redacteur van het gerenomeerde wetenschappelijke vakblad JCMS: Journal of Common Market Studies – één van de toonaangevende bladen op het gebied van Europese integratie. Ook ontving zij in 2009 de UVIC Craigdarroch Silver Medal for Excellence in Research, in 2017 de UVIC Lansdowne Distinguished Fellow award and in 2018 de European Community Studies-Association-Canada teaching award.

PROF. DR. AMY C. VERDUN



Amy Verdun (1968) was appointed on 1 July 2018 to Professor of European Politics and Political Economy at the Faculty of Social Sciences at Leiden University. Her research concentrates on European economic and political governance, in particular with reference to economic and monetary union.

Verdun graduated *cum laude* in political science from the University of Amsterdam, where she majored in International Relations, with special focus on International Political Economy. She obtained her doctoral degree from the European University Institute in Florence, studying perceptions of economic and monetary union in Britain, France and Germany. She completed her postdoctoral studies at the University of Essex, United Kingdom.

To date she has published more than 120 peer-reviewed articles and chapters and 20 books, among which *Ruling Europe: The Politics of the Stability and Growth Pact* (Cambridge University Press). Her most recent book is a co-edited student textbook (with A. Hurrelmann and E. Brunet-Jailly): *European Union Governance and Policy Making: A Canadian Perspective* (University of Toronto Press).

From 2010-2017 she was co-editor (with M. Cini) of *JCMS: Journal of Common Market Studies* one of the leading European integration journals. She was the recipient of the 2009 UVIC Craigdarroch Silver Medal for Excellence in Research, the UVIC Lansdowne Distinguished Fellow award in 2017 and the 2018 European Community Studies-Association-Canada teaching award.



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