

Ideas Monitor #32/2017

The Future of Europe

On *Carnegie Europe*, the future of the European Union is linked to the evolution of the mindset of the German élites. According to [Judy Dempsey](#), austerity and little ambition to further integrate the Eurozone are the trademarks of the German EU policy of the past few years. Nevertheless, supply side policies as well as economic orthodoxy proved not to be sufficient to hail the damages of the crisis.

Consequently, she argues that for the next German Financial Minister, the main challenge will be the one of moving towards a more flexible approach. Ingredients of a renewed EU policy would be: a revision of the Stability and Growth Pact, the creation of a Eurozone budget, some form of debt mutualisation and the establishment of a solid deposit insurance scheme. These elements combined would strengthen the EU governance, according to Dempsey.

According to the author the relation between the European Central Bank and Berlin should be eased by these reforms. Eventually the EU would look more like the US in its architecture. Nevertheless, Dempsey acknowledges that, at the moment, it is hard to imagine any major policy shift to take place among German élites. Yet, French President Emmanuel Macron could play a role in this process. But eventually, the extent of any reform process will be determined by the preferences of Berlin.

A diametrically opposite approach can be found on *Project Syndicate*, in an article by [Christoph M. Schmidt](#), the Chairman of the German Council of Economic Experts. Schmidt argues the French elections have brought new enthusiasm to the EU integration project. But this boldness may turn into inconceivable policies at the EU level. “Shared-liability schemes, would be a mistake. As long as member states have sovereignty over fiscal and economic policymaking, France and Germany should focus their efforts on making the Eurozone itself more resilient”, Schmidt writes.

The author calls for Macron to focus on internal economic reforms. The French President should seize the window of opportunity that is given to him. Instead of focusing on “joint investment schemes” across EU Member States, France needs to create the right business environment.

According to Schmidt, a Eurozone budget or a EU-wide unemployment insurance scheme would put the Eurozone’s long term stability at risk. Any Eurozone reform should be based upon three principles. The first one is the principle of diversity: any future EU architecture should recognise that nation states and economies differ. The second principle is the one of subsidiarity. Last but not least, the principle of congruity or accountability should play a key role.

Schmidt pledges for an integration process that proceeds by focusing on issues, such as climate change, the refugee crisis, and counter-terrorism. For “the roots of the Eurozone’s low growth potential, which is not a result of insufficient solidarity, but of individual member states

abnegating their national responsibilities”.

The reform of the French labour market

Talking about Macron’s economic reforms, [Philippe Aghion and Benedicte Berner](#) discuss the recent moves of the French President on *Project Syndicate*. Aghion and Berner underline that the government is trying to enact two reforms. The first one is aimed at reforming the state bureaucracy, whereas the second one is directed at increasing the flexibility of the labour market.

The ingredients of the former are an overhaul of the public spending system and a revamp of fiscal policy, whereas the latter focuses on reconciling flexibility for firms to manage their employees and reduce the divide between long- and short-term workers’ social security standards.

The authors cheer Macron’s plans. They argue that the reforms could potentially counter the industrial decline of the country and offset the power of corporatist institutions.

Yet, many other op-eds, published both in left-wing and right-wing European media outlets targeted the French economic reforms. On *Newstatesman* and *Taz*, Pauline Bock and Harriet Wolff, respectively, criticise Macron from a leftist standpoint. [Bock](#) argues that, in stark contrast to his electoral slogans, Macron is proving “never left, more right” than ever (another editorial focusing on the left-right cleavage in French politics was published by [Le Monde](#)). Similarly, [Wolff](#) claims that the measures proposed by the French government will eventually deal only with the symptoms of the economic problems of the country.

Even on the pages of the liberal-conservative German newspaper, *Die Welt*, [Martina Meister](#) blasts the French President’s policies. Meister claims that the outcome of the reform process conducted with trade unions over the past few months can be understood as a “resignation” from the announced “neoliberal revolution”.

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