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Mr. Chairman and Members of the Subcommittee: thank you for convening this hearing on the issue of the future of European Union, and for inviting me to provide testimony. In your invitation, you noted that members of the subcommittee were seeking to better understand the future of EU institutions and how they might change in response to the Greek sovereign debt crisis, the referendum in the United Kingdom, and the growing electoral success of euroskeptic political parties. It is my pleasure to contribute the comments that follow.

Introduction

This hearing occurs at a deeply troubled and troubling time in the affairs of the European Union. It has faced many crises since the process of European integration formally began with the signature of the Treaty of Paris in April 1951, but none have been so serious as the problems faced by the euro zone since the breaking of the sovereign debt crisis in Greece in late 2009. Predictions regarding the outcome have ranged from dire economic stress for Greece and other troubled euro states, to the exit of Greece from the euro zone, to the collapse either the euro or of the European Union itself.

The very range of these predictions is indicative of the uncertainties that attach to any discussions about the present health and future prospects of the EU. While most such discussions are currently shrouded in gloom, I remain optimistic for its future, believe that a resolution will be found to the EU's current problems, and am confident that it will emerge bruised but stronger from the present crisis. I would also argue that it is particularly important in these troubled times not to lose sight of the many and substantial achievements of European integration. I will address each of the three topics listed by the subcommittee in turn.

The sovereign debt crisis in Greece

The debt crisis that broke in Greece in late 2009 has gone on to be the most harmful and alarming of the many challenges faced by the process of European integration. Earlier such challenges include the collapse in 1954 of plans to create a European

Defense Community, the unilateral French veto of the British application to join the European Economic Community (EEC) in 1963 and 1967, the 'empty-chair crisis' of 1965-66 when France withdrew from meetings of EEC bodies, the failure of early efforts to launch a single currency, the foreign policy embarrassments of the 1990s in the Gulf and the Balkans, and the collapse of the proposed constitutional treaty in 2005. Crisis has indeed been part of the evolution of European integration, but the EEC/EU has survived, learned, and moved on.

To some extent, the Greek debt crisis was predictable. Greece did not meet the criteria set for membership of the euro, including a limit on its budget deficit of 3 per cent of GDP. As a higher risk, it was obliged—before joining the euro—to borrow at higher interest rates than those charged to its wealthier EU neighbors, and much of its workforce had a long-standing reputation for tax avoidance; the OECD in 2009 estimated the size of the grey market in Greece to be equivalent to 25 per cent of the country's GDP. Once within the euro zone, it found that it could borrow at a cheaper rate than before, and banks were willing to lend. Greece's debt grew, its government misrepresented the size of that debt, many Greeks continued to avoid paying taxes, and the European Central Bank lacked the ability to review the budgets of euro member states.

Reforms were made in the wake of the crisis to EU policy and institutions. The European Central Bank now has stronger powers to monitor national budgets, a new institutional framework has been developed for financial supervision in the EU, and there have been efforts to build a European banking union. Mistakes have clearly been made in the response to the euro zone crisis, and there will be more adjustments in the wake of recent developments.

As for predicting the future, I could not claim to have the necessary expert understanding of monetary and fiscal policy enjoyed by economists, and I take heed of the lesson to be learned from two recent predictions by eminent voices. In 2012, Martin Feldstein—former chairman of the Council of Economic Advisors—argued that it was time to recognize the euro as an experiment that had failed.¹ A few months later, C. Fred Bergsten—chairman of the Competitiveness Policy Council—declared that fears of the collapse of the euro were 'vastly overblown', that adjustments had been made, and that once the dust had settled, the euro and the entire project of European integration was 'likely not only to survive but to emerge even stronger'.²

From the perspective of a political scientist, I believe that the crisis in the euro zone will be resolved, and that whether it involves a Greek exit from the euro zone or not, all parties will adapt to the outcome, and will learn and move on.

¹ Martin Feldstein (2012) 'The Failure of the Euro', in *Foreign Affairs* 91:1, Jan/Feb, pp. 105-16.

² C. Fred Bergsten (2012) 'Why the Euro will Survive', in *Foreign Affairs* 91:5, Sept/Oct, pp. 16-22.

The UK referendum

As we know, the Cameron government has promised to hold a referendum on continued UK membership of the EU, some time in 2016 or early 2017. The debate about the referendum is already well under way, and there has been much speculation about how it will evolve and about the likely result. Five points are particularly worth bearing in mind.

First, opinion polls dating back to 1977 have shown that the majority of British voters have consistently been in favor of their country remaining within the EEC/EU. There has been a notable reduction in the level of anti-EU sentiment since 2011, with the number wishing to leaving falling from 54 per cent in October 2011 to 25 per cent in June 2015, and the number wishing to remain within the EU growing over the same period from 46 per cent to 75 per cent. The failure of survey research accurately to predict the outcome of the May 2015 general election provides a cautionary tale, but the gap between those who support and those who oppose continued British membership of the EU is far outside any normal margin of error.

Second, the debate over the referendum has already sparked an informal public information program in which the pros and cons of EU membership are being aired and explored more intensively. Eurobarometer polls find that the British are notably badly informed about the EU and its powers: only half of those asked in a 2014 poll agreed with the statement 'I understand how the EU works'³. However, this was already a significant improvement on the same poll taken a year earlier, when the figure was 44 per cent.⁴ As they become better informed, so British voters are likely to better understand many of the ways in which the powers and reach of the EU have been misrepresented by its critics. At the very least, it is possible that—as happened with the Scottish independence referendum in September 2014—many unanswered questions will be raised about the consequences of leaving the EU, and more voters will choose to err on the side of caution and cast ballots in favor of continued membership of the EU.

Third, part of the decline of opposition to membership can be explained by the evolution of the debate about the referendum so far, which has been characterized in particular by many statements from business and political leaders who have not previously made their views on the EU well known, and who have come out overwhelmingly in favor of the UK remaining within the EU. They have also often issued dire warnings of the potentially detrimental effects of a British exit.

Fourth, the Cameron government has long promised to renegotiate the terms of British membership of the EU prior to the holding of the referendum, and it is likely

³ European Commission, Standard Eurobarometer poll 82, Autumn 2014.

⁴ European Commission, Standard Eurobarometer poll 80, Autumn 2013.

that the revisions—and the prospect of wider reforms in the wake of the Greek debt crisis—will further strengthen support for continued membership.

Finally, it is important to appreciate that the referendum is driven in large part by an effort to end a harmful disagreement over Europe within the governing Conservative party. It is thus less an exercise in democracy than an exercise in political housekeeping, in much the same way as the last UK referendum on EEC membership, held in 1975, was concerned with ending a similar disagreement within the governing Labour party. Just over 67 per cent of voters opted to remain within the EEC in that referendum.

For all these reasons, and barring any dramatic international developments that might redirect the debate, I predict with a high degree of confidence that the referendum will result in a strong majority in favor of the UK remaining a member of the EU.

The electoral success of euroskeptic political parties

There is no question that euroskeptic political parties have been winning new support at elections in the member states of the EU. The successes of the National Front in France, of the UK Independence Party in Britain, and of the Party for Freedom in the Netherlands are well known. Much was also made of the gains by euroskeptic parties in the 2014 European Parliament elections.

However, the data must be treated with caution, for several reasons.

First, support for euroskeptic parties is more modest than the drama of news headlines would suggest, the numbers being clouded by the variety of policies supported by such parties, of which criticism of the EU is only one. The results of the 2014 European Parliament (EP) elections were widely hailed as a political earthquake, and yet voter turnout was only 43 per cent, and anti-establishment parties—defined broadly—won just 13 per cent of the vote. Furthermore, because EP elections are considered secondary to national elections, and are often used by voters to comment on national government, voters are more willing to use them to cast a protest vote, and preferences at EP elections do not carry over to national elections. The UK Independence Party, for example, won nearly 27 per cent of the vote in the 2014 EP elections in the UK, but only 13 per cent of the vote in the 2015 UK general election.

Second, euroskepticism is often portrayed as monolithic, as though all the supporters of euroskeptic parties were equally opposed to the EU and to the membership of their home states in the EU. But euroskepticism comes in many shades, and includes voters who oppose both the EU and the process of integration, as well as voters who support integration but believe in reform of the EU. In other words, euroskepticism does not preclude the possibility of supporting an EU that is more efficient, transparent, and accountable.

Third, euroskeptic parties are also populist parties, and populism throughout history has typically faded as quickly as it has blossomed. Populist parties either lose support or transform into mainstream parties with more mainstream policies. The initial excitement generated by support for a single issue or narrow range of issues quickly dissolves once a party is obliged to develop policy positions on a wider range of issues.

Finally, support for euroskeptic parties is not just a comment on the EU, but is also—for some voters, at least—a means for criticizing the political establishment. Party membership in Europe is on the decline, trust in government is on the decline, voters are using other means to participate in government, and the results of elections only tell part of the bigger story. Furthermore, support for euroskeptic parties overlaps with concerns about immigration, notably from Africa, the Middle East, and Asia. Immigration is arguably at least as important in the calculations of the supporters of euroskeptic parties as is hostility toward the EU.

Conclusions: The future of the EU and its institutions

Regrettably but understandably, the focus of the current debate about the European Union is on its difficulties and its crises. These are serious, to be sure, but we should not forget the many achievements of European integration, which have always been more enduring than its failures.

To quote the single example of the construction of the single market (a project favored even by most euroskeptics), it has been revolutionary in the changes it has wrought: time-consuming border crossings are mainly gone, new jobs have been created, business has access to a bigger marketplace, consumers have access to a wider range of products and services at more competitive prices, competition has encouraged innovation, technical standards and regulations have been improved and reduced, costly and protectionist national laws have been replaced with harmonized EU-wide approaches and standards, Europe's environment is cleaner, and the European market is today an irresistible economic magnet of a size and reach that allows the EU to exert soft influence on a global scale. The concern today is not that the single market has gone too far but that it has not gone far enough.

With achievements of this magnitude, the benefits of the EU will endure. Its institutions will continue to evolve as they have done since 1952. They work as well as can be expected given human nature and the unique personality of the European Union, their reach has expanded and changed as the effects of European integration have evolved, and there is no reason to suppose that they will not continue on this path indefinitely.