

FOUR SCENARIOS ABOUT THE FUTURE OF THE EU

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A SYNTHESIS OF ARGUMENTS AND SCENARIOS AVAILABLE IN THE FOLLOWING PUBLICATIONS:

1. **THE GREAT EUROZONE DISASTER: FROM CRISIS TO GLOBAL NEW DEAL.** ZED BOOKS: LONDON & NEW YORK, 2013, CHAPTER 6.
2. "CAN THE EU BE DEMOCRATISED? A POLITICAL ECONOMY ANALYSIS", IN R.FIORENTINI & G.MONTANI (EDS.): *THE EUROPEAN UNION AND SUPRANATIONAL POLITICAL ECONOMY*, ROUTLEDGE: LONDON & NEW YORK, 2014, PP.116-132.
3. "GOVERNANCE OF THE EU: PROBLEMS AND REFORM PROPOSALS", WITH J.K.GALBRAITH, & H.MEYER, 25.8.2016, PROGRESSIVE ECONOMY INITIATIVE E-PUBLICATIONS (S&D GROUP OF THE EUROPEAN PARLIAMENT). PP.1-6, AVAILABLE AT [HTTP://WWW.PROGRESSIVEECONOMY.EU/CONTENT/ GOVERNANCE-EU-PROBLEMS-AND-REFORM-PROPOSALS](http://www.progressiveeconomy.eu/content/governance-eu-problems-and-reform-proposals).
4. "WILL THE EU DISINTEGRATE? WHAT DOES THE LIKELY POSSIBILITY OF DISINTEGRATION TELL ABOUT THE FUTURE OF THE WORLD?", *GLOBALIZATIONS*, (14):1, 2017, PP. 168-177.
5. *BREXIT AND THE POLITICAL ECONOMY OF FRAGMENTATION: THINGS FALL APART*, ED. WITH J.MORGAN, ROUTLEDGE: LONDON & NEW YORK, FORTHCOMING IN DECEMBER 2017 [INCLUDES NO:3 AND ESPECIALLY "INTRODUCTION: SPECIAL FORUM ON BREXIT PART 2"].
6. *DISINTEGRATIVE TENDENCIES IN GLOBAL POLITICAL ECONOMY: EXITS AND CONFLICTS*, ROUTLEDGE: LONDON AND NEW YORK, CHAPTER 6, FORTHCOMING IN OCTOBER 2017.

THE BASIS OF OUR ANTICIPATIONS AND SCENARIOS

- OUR ANTICIPATIONS ABOUT THE FUTURE ARE SHAPED BY DEEP-SEATED THEORETICAL ASSUMPTIONS AND GENERAL MODELS OF THINKING ABOUT POLITICS AND ECONOMICS.
- CRUCIAL TO THE EU'S FUTURE ARE, FIRST, ECONOMIC THEORIES AND, SECOND, THEORIES OF LEGITIMATION, THE LATTER MEANING MORAL, LEGAL, AND POLITICAL ACCEPTABILITY.
- **ECONOMIC THEORIES** CAN BE DIVIDED INTO TWO MAIN GROUPS:
 1. VARIATIONS OF **LIBERAL ECONOMIC THEORIES**, WHICH USUALLY REST ON MICROECONOMIC MODELS OF OPTIMAL EQUILIBRIUM AND ON HYPOTHESES OF EFFICIENT MARKETS, AND IN PART RELY ON NEW-CLASSICAL MACROECONOMIC DOCTRINES;
 2. POST-KEYNESIAN AND MORE GENERALLY **HETERODOX THEORIES**, ACCORDING TO WHICH THE CAPITALIST MARKET ECONOMY IS IN MANY WAYS UNSTABLE, INCLUDING IN SUCH WAYS THAT PROCESSES OF UNEVEN GROWTH AND GROWING INEQUALITIES TEND TO BE SELF-REINFORCING.

THEORIES OF LEGITIMATION

- IN LARGE-SCALE MODERN SOCIETIES, MANY ACTORS ARE INDIFFERENT, IGNORANT, HYPOCRITICAL OR EGOISTICALLY CALCULATIVE, BUT A POLITICAL RULE IS UNSTABLE WITHOUT GOOD **NORMATIVE REASONS**, CONSIDERED IMPORTANT BY A SUFFICIENT PROPORTION OF CITIZENS AND POLITICAL ACTORS.
- NORMATIVE REASONS HAVE TO DO WITH EFFICIENCY, SECURITY, RIGHTS, JUSTICE, DEMOCRACY, FREEDOM, AUTONOMY, RECOGNITION, COMMUNITY, ETC.
- THEORIES OF LEGITIMATION CAN BE ROUGHLY SEPARATED INTO TWO GROUPS:
 1. THEORIES ACCORDING TO WHICH CAPITALIST FREE MARKETS AND THE RESULTING AFFLUENCE SUFFICE TO ENSURE POLITICAL LEGITIMACY, PROVIDED LIBERAL HUMAN RIGHTS (INCLUDING PROPERTY RIGHTS) ARE GUARANTEED AND POLITICAL LEADERS CAN BE PERIODICALLY CHOSEN AND CHANGED IN ELECTIONS.
 2. THEORIES OF LEGITIMATION ACCORDING TO WHICH THE ACCEPTABILITY OF POLITICAL RULE REQUIRE GENERALIZABLE ETHICO-POLITICAL GOODS THAT ARE SIGNIFICANT AND REALLY MEAN SOMETHING TO OUR LIVES, SUCH AS GENERALIZABLE HUMAN DEVELOPMENT, SOCIAL JUSTICE, AND CITIZENS' ACTIVE PARTICIPATION IN DEMOCRATIC PRACTICES AND PROCESSES.

PROGNOSES FOR THE EU

	Legitimation theory: Schumpeter	Legitimation theory: Habermas
(Neo- or ordo)liberal economic theory	A. The EU basic treaties are firmly founded, the EMU is legitimate and functional.	B. The EMU may work, but EU's legitimacy is weak and unstable.
Post-Keynesian / heterodox economic theory	C. The EU basic treaties are unstably founded. The EMU strangles Europe economically, and is prone to crises.	D. The current EU basic treaties are unjustified, and the likely economic crises will eventually destroy its legitimacy.

HOW TO ASSESS?

- NONE OF THESE PERSPECTIVES IS CATEGORICALLY FALSE.
- IN THE INTERPRETATION OF MACRO HISTORY, IT IS IMPOSSIBLE TO AVOID A CERTAIN CIRCULARITY, BECAUSE WE ALSO INTERPRET HISTORY THROUGH OUR THEORIES.
- IT IS GENERALLY TRUE THAT IN OPEN SYSTEMS DECISIVE TESTS BETWEEN THEORIES ARE VIRTUALLY IMPOSSIBLE TO CREATE
 - WE NONETHELESS CAN HAVE RATIONAL REASONS FOR HOLDING PARTICULAR THEORIES AS TRUE AND ADEQUATE (THIS IS WHAT DEBATES ABOUT ECONOMIC AND POLITICAL THEORIES ARE ALL ABOUT...)
- SOCIAL STRUCTURES, AGENCIES AND MECHANISMS CAN CHANGE; OUR FORESIGHT IS REFLEXIVELY INVOLVED IN INFLUENCING THE FORMATION OF REALITY, MAINTAINING OR ALTERING PREVAILING STRUCTURES.
- NONETHELESS, RECENT MACROHISTORIC EXPERIENCE – THE EUROCRISIS AND ITS AFTERMATH – SEEMS TO SUPPORT THE D OPTION.

FOUR SCENARIOS IN LIGHT OF D-INTERPRETATION

- THE FUTURE OF THE EU DEPENDS TO A SIGNIFICANT DEGREE ON FUTURE ECONOMIC DEVELOPMENTS, WHICH MAY BE ANTICIPATABLE IN GENERAL CONTOUR BUT UNPREDICTABLE AT THE LEVEL OF EVENTS AND DETAILED EPISODES.
- **SCENARIO 1:** BUSINESS AS USUAL → NEXT CRISIS AND DOWNTURN → FURTHER DISINTEGRATION, POSSIBLY A FULL-SCALE COLLAPSE OF THE EU.
- **SCENARIO 2:** UNITY THROUGH SECURITIZATION, MILITARIZATION POSSIBLY COMBINED WITH TIGHTER DISCIPLINE → MILITARY KEYNESIANISM MIGHT SHAPE GROWTH-PROSPECTS POSITIVELY – IF EVEN MODESTLY SUCCESSFUL → A NEW NUCLEAR GREAT POWER
- **SCENARIO 3:** THE SOCIAL DEMOCRATIC PROJECT FINALLY SUCCEEDS, AT LEAST PARTLY, IN TRANSFORMING THE UNION → A QUASI-FEDERAL STATE WITH SOME DEMOCRATIC DECISION-MAKING PROCEDURES AND FULL FISCAL CAPACITY → A SOVEREIGN STATE IN A WORLD OF STATES → TENDENCIES TOWARD SCENARIO (2).
- **SCENARIO 4:** SCENARIO (3) IN A MORE COSMOPOLITAN MANNER: EU SELF-REFLEXIVELY AS PART OF A SOCIAL DEMOCRATIC SYSTEM OF GLOBAL GOVERNANCE OR GOVERNMENT THAT IT ACTIVELY BUILDS AND SHAPES.

SCENARIO 1: NEOLIBERAL BUSINESS AS USUAL

- THE 'FIVE PRESIDENTS' PLAN TO COMPLETE THE EMU' IS THE FUTURE THAT IS ALREADY BEING IMPLEMENTED.
- AMBIGUOUS AND CONTESTED ELEMENTS: "I AM ALSO STRONGLY IN FAVOUR OF MOVING TO QUALIFIED MAJORITY VOTING FOR DECISIONS ON THE COMMON CONSOLIDATED CORPORATE TAX BASE, ON VAT, ON FAIR TAXES FOR THE DIGITAL INDUSTRY AND ON THE FINANCIAL TRANSACTION TAX." (JUNCKER SEPT 2017)
- THE DOMINANCE OF THE BUSINESS-AS-USUAL IS LIKELY TO HAVE BEEN SEALED BY THE RESULTS OF THE SEPT 2017 GERMAN ELECTIONS:



THE LIKELY CONSEQUENCES OF SCENARIO 1

- THE CURRENT POLICIES, PRINCIPLES, AND INSTITUTIONS OF THE EU BOTH GENERATE COUNTERPRODUCTIVE POLITICO-ECONOMIC EFFECTS AND SUFFER FROM PROBLEMS OF LEGITIMACY, GIVING RISE TO TENDENCIES TOWARDS DISINTEGRATION.
- TRUST IN THE EU TENDS TO DECLINE WITH ECONOMIC DOWNTURN AND CRISIS, BUT THE EU IS ALSO PERCEIVED TO BE THE TECHNOCRATIC, UNDEMOCRATIC OR UNCHANGEABLE
 - SEMI-RECOVERY IN 2016-17: TRUST UP TEMPORARILY
 - BUT THE CRISIS-POTENTIAL REMAINS
 - AND HARDLY ANYTHING IS DONE TO RESPOND TO MANY CITIZENS' INDIFFERENCE AND HOSTILITY
- IDENTITY POLITICS, SECURITIZATION AND ENEMY-CONSTRUCTION STEM ALSO FROM EXISTENTIAL INSECURITIES, FED BY UNEMPLOYMENT AND LABOUR MARKET FLEXIBILITY
 - SCENARIO 1 AGGRAVATES THE ALREADY BAD SITUATION
- COMPETITIVENESS: THE EXPLICIT IDEA IS TO INCREASE DEMAND FOR EUROPEAN GOODS AND SERVICES IN WORLD MARKETS – AT THE EXPENSE OF OTHER COUNTRIES.
 - COMPETITIVENESS IS A CONTRADICTIONARY STRATEGY
 - FALLACIES OF COMPOSITION TEND TO GENERATE CONFLICTS BETWEEN STATES

SCENARIO 2: UNITY THROUGH SECURITIZATION

- COMMON EXTERNAL ENEMIES CAN SPUR UNITY.
- THE EXIT OF BRITAIN WILL FACILITATE CONSOLIDATION OF THE REMAINING EU VIA
 - CONTINUING AND PERHAPS ESCALATING CONFLICT WITH RUSSIA
 - THE CONSTANT "STATE OF EMERGENCY" RELATED TO THE REFUGEE CRISIS AND IMAGINED OR REAL TERRORIST ATTACKS (OFTEN BY MIGRANT SUFFERERS OF CLASS INEQUALITIES)
 - INCREASINGLY STRAINED RELATIONS WITH TURKEY
 - ECONOMIC COMPETITION WITH CHINA AND INDIA
 - AND THE GLOBAL CONSEQUENCES OF TRUMP
- THE IDENTIFICATION OF THREATS TO "OUR EUROPEAN" EXISTENCE CAN CREATE UNITY AND ACCEPTANCE, OR AT LEAST ACQUIESCENCE, TO STRENGTHENING THE DISCIPLINARY RULE AND MILITARY NATURE OF THE EU.

A two-phase causal mechanism leading to securitisation and other-blaming

PHASE 1: economic trouble / economic downturn or crisis --> threatened identities, pathologies of socialization



existential insecurity & proclivity for resentment and emotional distancing



PHASE 2: securitization --> othering & enemy-construction --> demand for exclusions and other exceptional measures

SCENARIO 3: SOCIAL/DEMOCRATIC TRANSFORMATION OF THE UNION

- A NUMBER OF REFORMS COULD BE IMPLEMENTED WITHOUT ANY MAJOR CHANGE OF THE UNION'S CONSTITUTIONAL FOUNDATIONS
 - USING THE RESOURCES OF THE EUROPEAN CENTRAL BANK AND THE INSTRUMENTS OF THE EUROPEAN INVESTMENT BANK TO CREATE A PUBLIC INVESTMENT PROGRAMME ON A EUROPEAN SCALE;
 - PROMOTING PUBLIC INVESTMENTS ALSO BY A NEW APPLICATION OF THE SO-CALLED GOLDEN RULE, EXEMPTING PUBLIC NET INVESTMENT FROM THE RELEVANT DEFICIT TARGETS
 - COMMON CONSOLIDATED CORPORATE TAX BASE (CCCTB) – COULD BE DEVELOPED FURTHER AND TAKEN AS A CONTRIBUTION TO THE EU BUDGET
 - EU-WIDE UNEMPLOYMENT BENEFIT SCHEME; MINIMUM WAGE; ETC
 - A NUMBER OF SMALL DEMOCRATIC REFORMS (INCREASING TRANSPARENCY, CONTROLLING LOBBYISTS, DISBANDING THE TROIKA, INVOLVING NATIONAL PARLIAMENTS AND SO ON)
- A MORE ESSENTIAL TRANSFORMATION OF THE EU, HOWEVER, REQUIRES CHANGING THE EU TREATY / A NEW CONSTITUTION FOR THE EU.

Political economic institutions	Basis of legitimation
European taxes and noteworthy fiscal policy: EU budget larger than that of any member state (at least 7-8 times 2011 EU budget)	Democratic representation. Parliamentary democratic principles: commission directly responsible to parliament, parliament (possibly bicameral) decides on budgets and on laws
Main economic policy focus on fiscal means aimed at full employment as well as economically and ecologically sustainable growth	Full employment and social justice
Monetary policy aims at supporting fiscal policy (promoting investments and growth); if over-capacity and lack of sufficient demand develops, demand increased with central bank funding	Democratic control extends to European Central Bank also, e.g. ECB answerable to democratically elected council
Regional policy aimed at reversing self-reinforcing processes of uneven developments and guaranteeing most even possible regional development level throughout EU	The subsidiary principle, e.g. member states and municipalities levy their own taxes and establish their own norms, rules, and procedures
Common income, wage, and industrial policies, including partial socialization of investments	Social rights and a sufficient level of guaranteed basic income for all EU citizens

SCENARIO 4: EU AS A PART OF THE WORLD ECONOMY

- THE EU CAN BE THOUGHT AS AN ACTOR-IN-PROCESS THAT FOLLOWS ITS HISTORICALLY EVOLVING INNER DISPOSITIONS AND CHARACTERS.
- THESE INNER DISPOSITIONS AND CHARACTERS GENERATE THE CAUSAL PROCESSES THROUGH WHICH ITS FORMS AND PARTS ARE DETERMINED.
- THEY ALSO SHAPE THE WORLD ECONOMY AS A WHOLE, IN PART THROUGH UNINTENDED CONSEQUENCES OF ACTIONS, FEEDING EFFECTS BACK ONTO THE EU.
- **HOLOREFLEXIVITY**: ONE CAN SEE ONESELF AS AN ACTIVE PART OF A DYNAMIC WHOLE.
- **LACK OF HOLOREFLEXIVITY**: CONTRADICTIONS & MUTUAL REINFORCEMENT BETWEEN SECURITIZATION AND FEDERALISM (SOCIAL-DEMOCRATIC OR ORDO/NEOLIBERAL).
- **A COSMOPOLITAN EU**: ABLE TO DEVELOP COMMON INSTITUTIONS HOLOREFLEXIVELY AS PART OF A FAR BROADER GLOBAL WHOLE.

PROPOSALS FOR GLOBAL KEYNESIAN INSTITUTIONS, 1

1. GOVERNANCE AND MAINTENANCE OF *EFFICIENT DEMAND* AT A UNIVERSAL LEVEL; PRESUPPOSES THE COORDINATED INSTITUTIONALIZATION OF ECONOMIC POLICIES BETWEEN NATION-STATES AND FUNCTIONAL INTERNATIONAL ORGANIZATIONS
 - COORDINATED FOR EXAMPLE THROUGH A WORLD PARLIAMENT
2. AN EXPANDED ROLE FOR SDRs, OR ALTERNATIVELY THE ESTABLISHMENT OF A NEW GLOBAL CENTRAL BANK CURRENCY; AND THE CREATION OF A MECHANISM BY MEANS OF WHICH WORLD TRADE DEFICITS AND SURPLUSES COULD BE BALANCED
 - BASED ON KEYNES' ICU, THE BRANDT COMMISSION PROPOSALS, AND MORE RECENT PROPOSALS BY DAVIDSON, STIGLITZ ETC
3. A DEBT ARBITRATION MECHANISM – ESTABLISHING RULE OF LAW IN FINANCE – AND REFORM OF THE MONEY AND CREDIT SYSTEM IN ORDER TO PUT FINANCING ON A SUSTAINABLE BASIS.

PROPOSALS FOR GLOBAL KEYNESIAN INSTITUTIONS, 2

4. GLOBAL TAXES, SUCH AS VARIOUS FINANCIAL TRANSACTION TAXES, TAX ON CAPITAL, AND A GREENHOUSE GAS EMISSIONS TAX.
5. SUPPORT FOR WORKERS' RIGHTS AND TRADE UNIONIZATION ON A PLANETARY SCALE, BOTH OUT OF SOLIDARITY AND TO INCREASE GLOBAL AGGREGATE DEMAND.
6. AN ADEQUATE BASIC LEVEL OF EDUCATION FOR ALL, IMPLEMENTED IN SUCH A WAY THAT FUNDING FOR REALIZATION OF THE UNIVERSAL RIGHT TO EDUCATION WOULD ALSO BE SEEN AS PART OF THE GLOBAL REDISTRIBUTION OF WEALTH.

ON THE EPISTEMOLOGY OF SCENARIOS

- SCENARIOS ARE IN SOME WAYS SIMILAR TO CLAIMS ABOUT PAST 'ERAS', SUCH AS THE MIDDLE AGE, THE WESTPHALIAN ERA, OR THE BRETTON WOODS ERA.
- CLAIMS ABOUT ERAS OR EPOCHS ARE NOT IN THEMSELVES CAUSAL EXPLANATIONS.
- CLAIMS ABOUT PAST OR FUTURE ERAS ARE ABSTRACTIONS THAT ARE RELEVANT ONLY IN RELATION TO CERTAIN PARTICULAR QUESTIONS.
- SCENARIOS OUTLINE A RELEVANT **CONTRAST-SPACE**, USUALLY AT A RATHER ABSTRACT LEVEL INVOLVING A LOW LEVEL OF 'RESOLUTION'.
- SCENARIOS ARE THUS ALSO **IDEAL-TYPES**, INVOLVING IDEALIZATION AND ABSTRACTION.
- IN CONCRETE DETAILED HISTORICAL PROCESSES, WE CAN SEE ELEMENTS FROM DIFFERENT SCENARIOS / CONTRASTIVE POSSIBILITIES.
- WHAT MATTERS IS: **WHAT CONTRASTIVE POSSIBILITIES DOMINATE?**

THE PROBLEM OF THE EUROPEAN UNION

- THE BUSINESS AS USUAL (NEO/ORDOLIBERAL) SCENARIO CONTINUES TO DOMINATE DEVELOPMENTS IN THE LATE 2010s.
- THERE ARE A NUMBER OF MODEST INITIATIVES TO TAKE A FEW SMALL-ISH STEPS TOWARD A FEDERALIST OR SOCIAL DEMOCRATIC DIRECTION, BUT THEIR PROSPECTS ARE LIMITED AND THUS THE ESSENTIAL NATURE OF THE UNION SEEMS UNLIKELY TO CHANGE IN 2017-2021
 - THERE IS MORE IMPETUS BEHIND THE SECURITISATION-DYNAMICS...
- IMPLEMENTATION OF NEW IDEAS AND REFORMS TAKES YEARS; EVEN IF A STRONG POLITICAL DRIVE TO TRANSFORM THE EU DEVELOPS, PERHAPS AS A RESULT OF THE NEXT ECONOMIC CRISIS, IT IS LIKELY THAT THE TRANSFORMATION PROCESS WILL TAKE MANY YEARS.
- UNTIL SUCH A COLLECTIVE WILL FORMS, ON-GOING REFORMS WILL PROCEED IN TERMS OF SCENARIO 1 ('COMPLETING EMU'), WITH SCENARIO 2 EMERGING AS INCREASINGLY CENTRAL.
- THIS MEANS THAT THE UNION MUST MUDDLE THROUGH SOMETHING LIKE A DECADE OR MORE BEFORE THE EFFECTS OF THE TRANSFORMATION WILL BECOME TANGIBLE IN THE EVERYDAY LIVES OF EUROPEAN CITIZENS – AND LEGITIMACY MAY BE SOUGHT IN THE FIELD OF SECURITY.
- MEANWHILE NEW CRISES ARE LIKELY TO ERUPT AND NEW SHIFTS IN THE POLITICAL LANDSCAPE TO OCCUR; THE QUESTION IS WHETHER THE CURRENT UNION CAN SURVIVE UNTIL 2025–2030.