

What Europe might look like without the Eurozone and EU

Bruno Frey 03 February 2012

What will happen if the euro collapses? For many people, the answer is unmitigated disaster. But this column argues that to identify the euro, the EU, and Europe as one, as many politicians like to do, is totally misleading. A possible demise of the euro and the EU can be seen as a chance for the evolution of a better future Europe.



Bruno Frey

Permanent Visiting Professor,
University of Basel.

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Politicians devoted to the European cause are fond of proclaiming: "If the euro falls, the EU falls, and then falls Europe". The German Chancellor Angela Merkel keeps repeating this statement. This is an example of what [Carmassi and Micossi \(2010\)](#) call "careless statements".

The major problem is that people do not see any alternative to the presently enacted European unification. The Europe-minded politicians even insist that, if the euro and the EU collapse, complete chaos will break out. The European continent will go back to the situation before World War II. The various nations will isolate themselves economically, and they will even start to fight each other. A war within the core of Europe, in particular between France and Germany, is taken to be a real possibility lurking in the background.

This view disregards the fact that the European unification process was made possible only because Germany and France stopped considering each other as enemies. They then saw themselves as the 'motor' of the European integration process, which started with the establishment of an economic union and then expanded to the political sphere. It is certainly wrong to think that the only thing that was needed to bring peace to Europe was a formal international treaty.

The claim that the downfall of the euro and the EU would produce chaos and war may be interpreted to be just a strategy necessary to get support for helping the highly indebted nations such as Greece, Portugal, Spain, or Italy with ever more financial support. However, conversations I have had with persons from various European countries suggest that many people really believe that Europe will disintegrate and that wars are looming if the EU dissolves. I hold this view to be seriously mistaken.

The euro, the EU, and Europe are far from being identical. Some important countries are members of the EU but kept their own currency (such as the UK, Sweden, or Denmark). In contrast, there are some non-EU countries (such as Switzerland) that are nevertheless members of certain European accords – in particular the Schengen Agreement and the various treaties in the area of scientific research. With respect to culture, science, sports and – above all – the economy, countries like Norway or Switzerland are without any doubt an integral part of Europe. To identify the euro, the EU, and Europe as one, as many politicians like to do, is totally misleading.

Even more important is the fear that a destruction of the euro and the EU would lead to a catastrophe pushing all European nations into an abyss. However, no chaos leading to an economic and political collapse of Europe is to be expected. Such a view is far too pessimistic.

The individual countries in Europe will quickly form new treaties among themselves. Collaboration will be maintained in all those areas where it has worked well. Some countries will remain in a newly formed and smaller Eurozone, for which the appropriate treaties will be designed. A similar reconstitution will take place with respect to Schengen, which will then encompass different members. Only those countries that find it advantageous will join a new convention on the free movement of persons. In contrast, those nations that do not find such new treaties attractive, or that are not admitted to them by the other members, will not join.

The result will be a net of *overlapping contracts between countries*, which the various nations will sign. These contracts will not be based on a vague notion of what "Europe" may mean, but

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rather on *functional efficiency*. Crucially, the individual treaties will be stable because they will be in the interest of each member.

This concept has been called FOCJ, following the initials of its constitutive characteristics: Functional, Overlapping, Competing Jurisdictions (Frey and Eichenberger 1999). The term 'functional' is to be interpreted in a broad, non-technocratic way. The functions should be designed so as to strengthen the citizens' involvement and commitment to specific public activities. Thus, for example, citizens' intrinsic motivation to protect the natural environment should be reflected in jurisdictions catering for these preferences. Similarly, FOCJ should be designed to fulfil citizens' conceptions of fairness.

A new formation of European cooperation may well happen along these lines, in particular because the EU is already partly organized in functional units. It is most likely that all the present members of the EU will participate in a free trade area since this has proved to be very productive. On the other hand, the democratic deficit of the EU, which is epitomised by the Commission, will be counteracted. Similarly, the ever-growing bureaucratic apparatus in Brussels is likely to be substituted by more flexible institutions and more democratic decision-making mechanisms.

Some might consider such a flexible net of contracts and jurisdictions to be too complicated and cumbersome, and therefore undesirable. But this is only at first sight. The essence of 'Europe' is *variety* and *diversity* rather than *étatisme* and bureaucracy. A net of contracts of which each one serves a particular functional purpose is open to all countries at the border of Europe and beyond. Thus, for example, Turkey could participate in contracts with an economic orientation and would in that role certainly be welcomed by the other European nations. At the same time, it might be excluded from political contracts if the other European members feel that Turkey does not (yet) fulfil the necessary requirements with respect to human rights. This allows for blurred distinctions: Turkey would be part of Europe in some respects, but not in others. This exactly mirrors reality, the only distinction being that the existing EU does not include Turkey but is entangled in what one might call a stalemate.

An association of European states using flexible and overlapping contracts based on functions can be considered *desirable* as the existing problems would be efficiently addressed while the essence of Europe would be strengthened. A possible demise of the euro and the EU can be seen as a chance for the evolution of a better future Europe.

References

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