FEPS

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# PROGRESSIVE ECONOMIC GOVERNANCE: HOW EUROBONDS RELATE TO EUROPEAN INTEGRATION

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## FEPS Young Academics Network

The Young Academics Network (YAN) was established in March 2009 by the Foundation of European Progressive Studies (FEPS) with the support of the Renner Institut to gather progressive PhD candidates and young PhD researchers, who are ready to use their academic experience in a debate about the Next Europe. The founding group was composed of awardees of the "Call for Paper" entitled "Next Europe, Next Left" – whose articles also help initiating the FEPS Scientific Magazine "Queries". Quickly after, with the help of the FEPS member foundations, the group enlarged – presently incorporating around 30 outstanding and promising young academics.

FEPS YAN meets in the Viennese premises of Renner Institut, which offers great facilities for both reflections on the content and also on the process of building the network as such. Both elements constitute mutually enhancing factors, which due to innovative methods applied makes this Network also a very unique project. Additionally, the groups work has been supervised by the Chair of the Next Left Research Programme, Dr. Alfred Gusenbauer – who at multiple occasions joined the sessions of the FEPS YAN, offering his feedback and guidance.

This paper is one of the results of the second cycle of FEPS YAN, (the first one ended with three papers in June 2011), in which 5 key themes were identified and are being currently researched by FEPS YAN working groups. These topics encompass: *"Education, Labour and Skills"*, *"Economic governance in the EU"*, *"Migration and Reassessment of integration models"*, *"Youth unemployment"* and *"Social Europe and public opinion"*. Each of the meetings is an opportunity for the FEPS YAN to discuss the current state of their research, presenting their findings and questions both in the plenary, as also in the respective working groups. The added value of their work is the pan-European, innovative, interdisciplinary character – not to mention, that it is by principle that FEPS wishes to offer a prominent place to this generation of academics, seeing in it a potential to construct alternative that can attract young people to progressivism again. Though the process is very advanced already, the FEPS YAN remains a Network – and hence is ready to welcome new participants.

FEPS YAN plays also an important role within FEPS structure as a whole. The FEPS YAN members are asked to join different events (from large Conferences, such as FEPS "Call to Europe" or "Renaissance for Europe" and PES Convention to smaller High Level Seminars and Focus Group Meetings) and encouraged to provide inputs for publications (i.e. for FEPS Scientific Magazine "Queries"). Enhanced participation of the FEPS YAN Members in the overall FEPS life and increase of its visibility remains one of the strategic goals of the Network for 2013.

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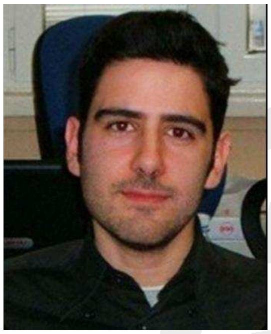

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## 1. The debate on the crisis as a technical and emotional discourse

Mainstream discourse on the European financial and economic crisis seems stuck on the international divide between “core” and “peripheral” Eurozone countries, with the former advocating for more, the latter for less austerity. By contrast, we believe that it is at least equally relevant to frame the contrast in political terms, i.e. between conservatives and progressives. The former increasingly advocate for a ‘singularisation’ of nations within Europe,[1] while (perhaps not without contradictions) the latter try to formulate ideas of solidarity. Solidarity is indeed fundamental, for it is a major political goal to make Europe and the Eurozone further integrate both as economic unities and as political as well as social communities. However, it should be recalled that ‘more Europe’ and therefore political solidarity would also bring about economic benefits. Thus, the aim of this paper is to highlight the interrelation of this dual order of benefits from solidarity – the community building and the strictly economic one – and the resulting double nature of the European debate, which seems at once highly technical and de-politicised as well as in the same time emotional and ‘over-politicised’.

We will discuss the proposal to launch common European bonds (that, despite the several versions proposed so far, we will generically denote as ‘Eurobonds’) as a relevant example, though we recognise that no single policy instrument is likely to solve all the problems, and a bundle of measures will probably be necessary. Eurobonds are an interesting case study because, on the one hand, the discussion around them has often been connected to the idea of a stricter fiscal union, and they are therefore a good example of how economics and community building are to be thought together. On the other hand, recent developments (especially the Outright Monetary Transactions scheme launched by the ECB and the September 2012 German Constitutional Court ruling on the EFSF) seem to have lowered momentum for an agreement on Eurobonds.[2]

Because the discussion on Eurobonds is both technically and emotionally connoted in the discourse, the purpose of this paper is to connect both discourses. This seems necessary because proposing Eurobonds without technical backing is as populist as it is impossible to integrate Europe via Eurobonds without an emotional narrative with regard to the future development of the European Union (Antonsich, 2008). The paper is divided into three sections. First, it provides a short introduction to the debate on the current crisis. Second, it reviews the ‘technical’ arguments in favour and against Eurobonds. Third, it deals with the ‘emotional’ side of the debate, by reconstructing three rhetorical logics at work at the

[1] According to some interpretations of the crisis (e.g. by Soros, 2012) the European “contagion” of the financial turmoil can be dated exactly at the point when Chancellor Angela Merkel declared that each European country would have had to look after its own financial institutions, with no European solidarity.

[2] Compare for example the interview to Carsten Schneider by the Italian newspaper La Stampa, 13/09/2012.

same time: (a) the growing tendency of nationalisation[3] to become a main reference point; (b) the link between the technical discussions and both national borders and transnationally formulated ideas; (c) the perspectival difference of proponents and opponents to Eurobonds, a difference that turns out to be not about the goal of implementing Eurobonds: the common narrative is saying that Eurobonds might be established, but: for their present opponents, after several reforms have been enacted, and for their supporters, Eurobonds themselves might lead to a necessary institutional change after their implementation.

[3] Hereby, we do not want to stress the meaning of transferring private into public property but the process that concerns the creation of a nation by highlighting differences to other nations. We perceive this process in contrast to further European integration meaning a trans- or supra-nationalisation of politics.

## 2. Interpretations of the European crisis

The economic crisis hit Europe at different times in different countries (for a more complete account, see D'Ippoliti, 2012).[4] In several countries the banking sector received a dramatic blow from the financial crisis that had erupted in the USA. In Iceland, Ireland and the United Kingdom, this was perhaps reinforced by the burst of local housing bubbles. In some countries, rescuing banks or at least extending State guarantees on banks' debt induced an unbearable strain upon public finances.[5] Finally, several other European countries encountered severe difficulties as a consequence of the fall in exports and other components of aggregate demand, which – besides the social and economic problems connected to firms' crises and unemployment – implied both a reduction of tax revenues and a growth of public debt as a percentage of GDP.[6] Despite this heterogeneity, already in 2010, with the notion of 'PIGS' countries,[7] it was clear that a common story lies behind the apparently different national experiences at least of the peripheral Eurozone countries.

However, the economists' interpretations diverge as to what such 'unifying' story may be. A first reading of the crisis sees public debt – especially in peripheral countries – as the origin of all troubles (see for example Kösters, 2009). From this perspective the Greek case, with the dramatic revision in the estimates of current and past public debt and deficits, provides a great argument to the conservative side of the political spectrum. Indeed, it supposedly confirms that (were it not for these cases of fraud and ill-doing) in the public sector or the banking industry, an unfettered free-markets economy functions pretty well, without any need for State regulation or supervision. Especially in some Central and Northern European countries, national stereotypes concerning the peoples of the Mediterranean countries possibly piled up with a general hostility towards debt accumulation (with Shakespeare's "Neither a borrower nor a lender be"...) to justify the interpretation of the crisis as caused by 'fiscal incontinence' on the side of the "lazy and spendthrift" peripheral European countries.

[4] We use the terms Eurozone, European Union or Europe not interchangeably but to stress different political, social and economic dynamics. In each field these three spatial categories have certain implications, e.g. the crisis hit not just the Eurozone or the European Union but it had specific implication on the European continent; Eurobonds have implications to the integration of the European Union and not just the Eurozone; and institutions of the Eurozone have applied specific measures regarding the Euro as a currency. A fully developed differentiation among the three contexts with respect to the economic crisis might be an interesting research topic on its own.

[5] By contrast Greece experienced a large revision in the public finances abruptly announced by Papandreou's new government in November 2009: an event that may be considered as almost independent from the crisis that was affecting the other countries, though its impact was strongly affected by it (see for example Sarcinelli, 2012).

[6] Which was exceptional of post-war history, and never seen during the process of European integration.

[7] PIGS is on the one hand side the acronym of Portugal, Ireland, Greece, and Spain, but on the other hand the expression operates also as basic differentiation of Eurozone countries, creating a normative divide and a negative stigma against the peripheral countries. The same applies for the less diffused acronym adopted when also Italy was more affected by the crisis, i.e. GIPSI.

Soon, however, a second more 'systemic' interpretation of the crisis emerged, based on structural failures of the European economy. These may concern shortcomings in the institutional architecture of the euro-area, especially in the financial domain, with the creation of a currency without a State (or an adequate political power) behind. Indeed, given the limited scope of the Statute of the ECB, the euro is even a currency without a modern central bank (see for example De Grauwe, 2011).

Also a third interpretation of the crisis, not necessarily opposed to the second one, concerns systemic failures of the euro-area. It highlights the structural imbalances in the real economy, especially in terms of within-Eurozone unsustainable balance-of-payments imbalances (Hein, 2012). A similar situation can be observed at the international level for example between the USA and the 'neo-mercantilist' surplus countries like China. In the case of the Eurozone, according to this interpretation, the problem with the PIGS countries does not mainly concern public debt but rather sustained international trade deficits.

Both the second and third 'progressive' interpretations of the crisis call for an interventionist fiscal and monetary policy as well as radical institutional reforms: quite the contrary of the austerity and 'structural reforms' in the indebted countries advocated for by the proponents of the first interpretation.

As it is well known, so far Europe has taken the road of austerity-plus-structural-reforms. Some economists approved of such policy, arguing that in order to boost aggregate demand it is necessary to improve supply conditions (Alesina and Ardagna, 2009) and/or that the PIGS countries should see their exports improve due to gains in competitiveness (it is usually unclear whether they refer to intra-European or extra-EU exports). As a matter of fact, so far the European Union Eurozone could not adequately stabilise financial markets beyond discussions on the given framework (Hallett and Jensen, 2012; Mugge, 2011b). The European strategy to copy with the crisis was a gradual evolution of new (and predominantly technical) mechanisms, which did not propose comprehensive (political) solutions but small and continual steps to prevent immediate default (Salines et al., 2012).

As was stressed by several economists in the "A Renaissance for Europe" event in Paris (16-17 March 2012) sponsored by FEPS and national progressive think-thanks, such an approach is based on system and fiscal competition among EU member states, opting for competitive deflation rather than enhanced cooperation as a crisis exit strategy. On the contrary, the progressive view expressed in the Paris 2012 "Manifesto" highlighted that an economically and socially sustainable exit from the crisis must be based on boosting demand and both rebalancing the external accounts imbalances and filling in the holes in the financial architecture of the Eurozone.[8]

[8] For further information discussed for example at FEPS by Rodrigues (2012a, 2012b, 2012c, 2012d) or by the PES (2011a, 2011b, 2011c, 2012).

Since then, we observed a further shift in the public debate, which resemble a similar dynamic that took place in the USA. There, after the initial claims that "we are all Keynesians now", already in July 2011 the technical economic debate has been substituted for by partisan politics, as for example highlighted by the debt ceiling debate and driven by the Republican-Democratic divide, rather than economics. Similarly, in Europe the shift within the neoliberal discourse drifted from the economic field to – perhaps a simplistic – moralism, with the slogan that no country should "live beyond its means" (whatever this may mean, in macroeconomic terms). At this phase, austerity was not anymore defended for its own supposed merits, but rather on the argument that for Eurozone indebted countries 'there is no alternative.'

The moralistic stance of not living beyond one's means, supported by the mentioned national stereotypes, was felt as almost racist by large strata of the population in the PIGS countries. Concerns for centrifugal forces along national lines grew stronger, and the moralistic approach began its decline. However, a new shift soon came to the rescue of the conservative position.

Today, the conservatives' discourse is divided between a high-brow and a low-brow discourse. At the institutional level, opposition to a stronger role for the ECB, for example, is justified on contested grounds, such as the need to preserve the "stability" of the euro (an ambiguous concept, certainly not referring to its exchange rate) or to avoid an improbable inflationary outburst.[9] At the low-brow political level, the conservative argument has become mainly legal. For example, fiscal expansions are being forbidden by constitutional amendments successfully included in the Fiscal Compact, effectively by-passing any political debate on fiscal policy. It was claimed that the ECB should not buy sovereign bonds, even on secondary markets: not for the supposed consequences of such a move, but because this is supposedly forbidden by its Statute and therefore purely legalistic in its reason.[10] The point, of course, is not that everything useful should be automatically be considered as allowed, even against the rules. Rather, we wish to highlight that – in the absence of actual economic arguments – the conservative discourse has deferred the debate from economics to law, diverting the focus from the substantial merits of the alternative positions to only considering their formal which means apolitical legitimacy (that is, it only reasons within the current institutional set-up).

[9] Analogously, the pro-intervention stance is induced to resort to similarly implausible arguments, such as the need to preserve the unity of monetary policy.

[10] Incidentally, the neoliberal legal argument that the ECB Statute mandates price stability as its only task conflicts with the textual evidence, in so far as article 2 of the Statute states that "[w]ithout prejudice to the objective of price stability, it shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union".

## 3. The ‘technical’ discourse on common European bonds

After the initial ‘contagion’ of the financial crisis, through banking crises and/or a fall of aggregate demand, the crisis in Europe evolved through major tensions in the markets for sovereign bonds. Interest spreads on Eurozone public bonds hiked, effectively making it impossible for some PIGS countries to access financial markets, even just to refinance the current debt. Read through the lens of neoliberal orthodoxy, such phenomenon represents a sudden increase in risk aversion on the side of investors (the “flight to quality” phenomenon), who suddenly ‘woke up’ and realised how risky the public debts of the PIGS countries really were.[11]

However, the economists who support the second interpretation of the crisis mentioned above highlight the limits of this position. In a context characterised by extensive deleveraging, i.e. a massive reduction in the demand for bonds due to the necessity for financial operators to reduce their overall assets and liabilities, Eurozone members found themselves indebted in a currency they do not control, because they passed on monetary sovereignty to the European Central Bank. As De Grauwe (2011) notices, this is a situation similar to that of developing countries in the Eighties and Nineties. Without the ability to regulate money supply, highly indebted countries could not rely on inflation or currency depreciation as means to reduce the real burden of their debt. In the case of the Eurozone, the Statute of the ECB provides a further specific problem, in so far as the prohibition to monetise public deficits prevents the central bank from effectively defending a certain level of prices or yields of the Eurozone countries’ sovereign bonds. The ECB’s recent Outright Monetary Transactions scheme does not appear to solve the issue, in so far as it has been tied to a conditionality program that in fact implies an obligation for the countries beneficiaries of the scheme to continue pursuing austerity measures. Given these problems, interest rates spreads are further driven up by speculation on the risk of fragmentation of the Eurozone.

For the authors who believe in the systemic interpretations of the euro-crisis, as opposed to the sovereign debt crisis, common Eurozone bonds could constitute a solution, from many points of view: (1) they would recreate a correspondency between the bond issuing entity and that holding monetary sovereignty; (2) they could be effectively defended by the ECB, without statutory limits; (3) they would show a strong political commitment towards the preservation of the Eurozone, with all its current member states; or (4) all the participating countries would be collectively liable for the debt, thus the bonds would be perceived as virtually risk-free.

To this aim, several forms of Eurobonds have been proposed since the crisis erupted in Europe (the idea

[11] For a discussion see e.g. Sarcinelli (2012).

of common bonds is of course much older).[12] Besides the advantages of Eurobonds for the countries that have lost or risk losing access to the financial markets, in terms of lower financing costs, it is probably less evident in this debate that common bonds may provide collective benefits to all participants states, also to the less indebted ones. Indeed, Eurobonds would mobilise very high monetary values, thus representing a very liquid asset as well as a deep market. As a consequence, the bonds would pay even a lower yield than the average of the current yields of the participating states (some of which currently pay a liquidity premium, over and above the "Eurozone-breakup risk" mentioned above). Moreover, such a highly liquid asset may constitute a great step forward, toward the global adoption of the euro as an international reserve currency. In fact, it may be argued that it is a failure of the current European architecture to have a central bank consistently pursuing a "stable currency", i.e. a monetary policy relatively more restrictive than executed in several other countries; a structurally restrictive fiscal policy, as mandated by the Fiscal Compact, and yet it does not even benefit from the "exorbitant privilege" (Strange, 1997: 6) of a strong international demand for the currency; and thus for the bonds denominated in such a currency.

Against this proposal, critics of Eurobonds maintain that they would constitute a violation of the "no-bailout" clause inscribed in Europe's "economic Constitution" (Kösters, 2009) or that they would remove the pressure on the government of the PIGS to enact the 'necessary' structural reforms. For this reason, Doluca et al. (2012) suggest that, on the one hand, alternative solutions may more easily be tied to the preservation of austerity policy, such as a European Redemption Fund that would collect all the Eurozone countries' sovereign debt in excess of 60% of GDP (the "blue bonds" approach). On the other hand, Munchau (2012) stresses that if austerity must be the condition, it may be better to have no rescue plan at all.

A second critique against the proposal of Eurobonds is that they would imply a transfer from the core to the peripheral countries, because the common bonds would pay an intermediate yield between those currently observed for Germany and of those of the PIGS countries. De Grauwe and Moesen (2009) answer that this situation must necessarily be the case, because each country may be requested to pay a share of the overall interest proportional to the yield currently observed in the market for its own bonds. However, this proposal would imply prohibitive financing costs for Greece and other countries. As noted by Boonstra (2011) such response may be considered as "out-dated" given the currently very high interest rates. Moreover, a related issue is the implied liability of the core countries, in case the peripheral countries default on these communal obligations. According to Prodi and Quadro Curzio (2011) a solution to both the issues of fiscal transfers and default guarantee (strongly felt in the core European countries) may be a different design of Eurobonds, i.e. not with member states guarantees

[12] Among others, plans along these lines have been provided by De Grauwe and Moesen (2009), Delpla and von Weiszächer (2010), Juncker and Tremonti (2010), the European Commission (2011), or Prodi and Quadro Curzio (2011).

over a common fund, but rather through the pooling of State owned collateral (e.g. part of the central banks' reserves, or equity shares of the national publicly-owned utilities, companies, etc.) in proportion to each country's share in the new bonds.

According to the specifics of the issuance of such common bonds, Eurobonds may also help in mitigating the balance-of-payments problems highlighted by the explanations of the European crisis mentioned in the previous paragraph. For example, if bonds were issued to finance new investments, they would counteract the fall in aggregate demand, and such a policy may be especially focussed to finance investment projects in the regions and areas more hit by the crisis (i.e. which suffer the greatest external deficits). This is the "project bonds" approach, envisioned for example by Varoufakis and Holland (2012), the European Commission (2011), Prodi and Quadro Curzio (2011). To this aim, Eurobonds would help in preventing the whole burden of balance-of-payments rebalancing to lie on the deficit countries only. Indeed, were external imbalances to be corrected on the side of the PIGS countries only, this would disproportionally require a fall in these countries' imports, with two negative effects: strong wages deflation in the PIGS countries, and a fall in the core countries' exports (thus with negative welfare effect for all). Instead, an approach based on the expansion of aggregate demand, and especially investments (which is required, if the PIGS countries are to increase their exports) would benefit both core and peripheral European countries.

As Varoufakis and Holland (2012) note, the European Investment Bank and the European Investment Fund may and do already issue such bonds, but problematically they require co-financing for their projects, a condition that is especially unfortunate in the current state of distress of national finances. According to the authors, within a three-pillar strategy, it may be sufficient that these institutions change their policy and dramatically extend the scope of their activities to issue an adequate volume of common bonds, without any need for new programs, institutions, or change in the Treaties.

## 4. The 'emotional' discourse on Eurobonds and European integration

The last section of this contribution is drawing on this two-folded narrative by presenting the different steps leading to further integration in contrast to a 'nationalisation'[13] of the Eurobonds discourse. This proposition asks how discourse can be approached to highlight an understanding of European consequences in contrast to focus on national interests (Clift and Woll, 2012; Rosamond, 2012). The danger represented by the discourse on Eurobonds is to lose the sense of European community. This dynamic is also represented within national communities facing problems to integrate. This is enforced by the current financial and economic crisis (McLaren, 2012). In the end, the leading progressive argument should contain a strong support for integration without focusing on individual nations or a regionalisation. This means that an elitist project as financial integration will need elite backing to get stabilised but beyond it should also (re-)connect to a broader European people (Trenz, 2010).

One of the technical preconditions not discussed above concerns the ratification procedures in order to establish Eurobonds within European treaties. The fundamental question might be to combine a pan-Eurozone vision to foster agreement in at least the Eurozone governments and parliaments. Then the question arises how to construct a political narrative that enables the overreaching demand for common obligations and solidarity meant to allow a consensual support? Here the role of economic and political actors in this process is decisive to formulate a European project reaching a broader basis of EU-citizens. Until now it is the European Central Bank (ECB) which has the central role in negotiating and combining European and national as well as southern and northern concerns about the future of the common currency. The ECB, here, works as vanish point in order to allow a combination of different economic and political perspectives (Perez and Westrup, 2010; Schelkle, 2011).

Another aspect of the discussion around Eurobonds is the struggle about which financial system should lead the EU into its future economic structure (Paudyn, 2011). This struggle highlights the positioning of the different arguments related to political as well as economic interests within the Eurozone and beyond. A project of European integration therefore is less a question of pure (economic) functionality but of politics: What can serve demands of common prosperity without destroying present and future well-fare state perspectives?

Especially in Germany but also in other high rated countries the idea of Eurobonds does not fit in discursive understandings of responsibility, solidarity, national autonomy or sovereignty. On the one hand, solidarity expresses here to help in the short term but not to institutionalise supporting

[13] As said before, 'Nationalisation' here describes not the process of enhanced public ownerships of companies but the term is meant to highlight a dynamic within the discourse accentuating national interests in contrast to European or other interests.

procedures against advancing incentives to realise higher debt obligations which in turn would produce higher refinancing costs for a Eurobond community. On the other hand, countries with urgent need of a liquid monetary market cannot sustain without inflationary measures or liquidity supply by other countries. This discussion about financial measures is technically important but what is obtruding is the growing importance of national borders. In contrast to a European concept of national integration in order to form a union, there are deeply national conceptions when it comes to currency, money and debt (Mugge, 2011a). The ongoing crisis dynamics do not lower this pressure.

## a) Eurobonds and the processes of 'nationalisation'

To counter economic challenges nations had to make decisions how to react against the lurking constraints. Sometimes they acted coordinated globally or European wide sometimes with a unilateral agenda. In any case the main agency potential was bound to the national level. Adequate political mechanisms on the EU level were simply not present. The reform process of its institution were vetoed or slowed down as measured by the speed of financial streams to be regulated. Decisions structured as without any alternative and not institutions had been at the forefront (Donnelly, 2011).

Beside all questions of technical implementation what is outstanding within the discourse of Eurobonds is the 'nationalisation' of possible politics. Europe is not framed as an area of common values but in the contrary there are national interests concerned with the present and little thoughts about a future ahead. The main reference point to this is the notion of debt (for a discussion see de Goede, 2005: 160). Every country should be responsible for its own debt. Thereby national entities are reproduced and their separating borders imply the meaning of separating peoples by their willingness to pay back borrowed money.

> “Jens Weidmann, the Bundesbank’s president, has made her task that much harder by telling the eurosceptic Bild Zeitung that ‘nothing would destroy the incentives for a solid budget policy more quickly and more permanently than joint liability for national debts. European and especially German taxpayers would have to answer for the entire state debt of Greece. That would be a step toward a transfer union’.” (The Daily Telegraph, 20/07/2011)

Actions are connoted with national agencies and even the EU is framed as an external agency and not as representative of its own members (Polat, 2011). It is a paradoxical outcome of financial globalisation as highly interdependent processes and national concepts and interests. It is such a field wherein the idea of Eurobonds is placed. The US and the United Kingdom still have the autonomous financial possibility to issue bonds in order to refinance themselves. The Eurozone in contrast has explicit restrictions in issuing common bonds or liabilities. The resulting expectation is therefore that the Eurozone should be a sovereign acting, nation-like entity. A project of a slackly supra- or transnational organisation seems to have no place or adaptation in a general discourse. The external influence as well as internal organisation of financial institutions apart of national sovereignty is still not reached by the European Union (Veron and Posner, 2010).

Hence, economic relations within the European Union and specifically the Eurozone reveal nationally structured hierarchies. Germany, France, Italy and Spain are seen to be larger economies and have therefore other capabilities, positions and perspective default reactions within the Eurozone compared to 'smaller' economies. This means also that they have already established differentiated relations to each other according to their positions of economic values as national outcomes. Both tendencies have to be taken into account when it comes to discussions about implementing Eurobonds. Economic differentiation based on national borders implies an economic rational. This stands against a political logic or a political project of unified institutions able to act in a global economy. This situation leads on the one hand to a pan European debate but, on the other, political steps (within the Eurozone) towards common debt issuance are hindered by concepts of sovereignty attached to national actorhood:

> "A majority of the governments of euro-area countries are obviously in favour, and the whole world is suggesting us to do it. Yet, the hostility of the Germans, Dutch and Finnish, is not purely egoistic: it rests on good reasons. It can only be overcome if everyone will agree to move towards a political union. But here it is Paris that must give us a go." (La Stampa, 25/05/2012)[14]

As it has been shown the discourse is structured along national borders but if we take a different perspective another kind of logic appears. Below we concentrate on highlighting political instead of national borders.

## b) Constructing political borders

Eurobonds seem to form a vision at the end of the tunnel but the way through the mountain is highly debated and surely not yet lighted. How long the way is depends not only on national borders but also on party lines, social, or economical interests on a transnational level (Bieler, 2011). Whereas left-wing positions tend to argue for a timely implementation of Eurobonds including some preceding measures, conservative arguments tend to show how much has to be done and how difficult it is to reach an

[14] Our translation from the Italian: „Certo, una maggioranza di governi dei Paesi euro è favorevole; e tutto il mondo ce li consiglia. Ma l'ostilità di tedeschi, olandesi, finlandesi, non è solo egoistica, ha buone ragioni. Può cadere solo se tutti saranno disponibili a procedere verso l'unione politica. Qui è Parigi a dover dare il via."

integration step regarding the complex structure and necessities within the institutional framework. Meanwhile, both positions might forget the final goal:

> "Speaking after several days of rising panic in financial markets, Mr Barroso stressed Eurobonds 'will not bring an immediate solution for all the problems we face', and accepted that their introduction would probably require a new EU treaty. But the Commission's President insisted that 'deeper integration is part of the solution'." (The Independent, 15/09/2011)

In between, however, the distinctive measures are more or less the same even amongst a proclaimed north-south divide beyond party politics. There has to be a coordinated financial policy and there have to be rules. What is happening on the European level is exactly the establishment of such a framework or at least some of its roots. Having common financial institutions in times of crisis means to integrate measures in crisis responses. Having however no responses or even not the fitting questions related to a quite unclear future challenge (until now) integrated processes (Grossman and Leblond, 2011). The mission for the EU and the Eurozone, therefore, is not only to present the grand strategy but also to stay integrated with regard to the challenges. Solving issues are discursively placed into a binary framework that is either a political project or a technical adjustment of financial instruments as a response to the economic problems posed by the debt crisis.

> "For its neighbours, just the German firing power can stop the crisis. Brussels, Paris, Madrid, Athens, Rome demand Berlin to provide the bazooka against the crisis: Eurobonds or to let the European Central Bank to turn on the money printing press." (Le Figaro, 08/12/2012)[15]

The inherent temporal logics presented in this quote are on the one hand side an immediate reaction to the challenge explicated through the financial markets. On the other hand, there is the political project requiring democratic founded rearrangements of the construction of the EU. These two further aspects of the discourse are reflected below.

## c) Looking behind or looking ahead?

The relation to be discussed therefore is the Eurobonds' interrelation with legitimacy concerns of the EU. In this context the question of new democratic elements is important if Europe wants to stand for an integrated entity securing economical and financial processes as well as having a democratic and hence political relation to its people:

[15] Our translation of "Pour ses voisins, seule la puissance de feu allemande pouvait enrayer la crise. Bruxelles, Paris, Madrid, Athènes, Rome réclament à Berlin de sortir le bazooka contre la crise : les Eurobonds, ou laisser la Banque centrale européenne (BCE) enclencher la planche à billets."

> "Europe is standing at the cross-roads. There are not few stating that Europe will also exist without the Euro. But the question than is: How such a Europe will look like? The exit of the Euro will not just pose incalculable economic risks. At the end there would be a return to the old EEC, a common market without political integration."[16] (Financial Times Deutschland, 10/10/2011)

The quite shared understanding related to Eurobonds is that they are a solution because southern nations could refinance themselves again. They can acquire more debt paying fewer interests. Eurobonds would mean a huge pool of liquid financial products comparable with the size of US treasuries. However, tax payers of northern countries seem not quite convinced that Eurobonds would solve the European problem. The mentioned temporal order might show how disparate a political discourse stands in relation to an economically enforced solution. As Eurobonds would require concerted action of European political actors sustained by the support of its people(s) (not only for a moment in time but for duration of multiple institutional and legal processes) it seems that market solutions are closer to extensive actualisation. However, what is striking in the political discourse is that is not only a discussion of a technical versus a democratic based decision process but the discourse is framed as a closed an vicious circle and therefor excluding a possibility for negotiable solution concerned with the establishment of Eurobonds. The alternatives are either to have implemented Eurobonds in order to have the Eurozone wide financial capabilities to refinance debt obligations and to sustain internal and external economic relations or to have implemented tight financial guidelines through treaty changes to secure the implementation of Eurobonds beforehand in order to abandon the exploitation of law cost refinancing.

These two argumentative logics are placed across the aforementioned discussions about 'nationalisation' and party lines but concerned with the very imagination of how the European project is to be advanced. Here, the (constitutional) blank space is that there is no neutral referee to solve this negotiation problem because democratic mechanisms are not yet established and the European Central Bank acts in a field that is still in the process of being created. Both dimensions are restricted through their very situational position of democratic access. This calls for re-narration of the crisis story in order to open up perspectives that do not reproduce the market oriented temporal dilemma of fast actions at the expense of a common political project.

[16] Our translation of the original German version: "Europa steht an einem Scheideweg. Es gibt nicht wenige, die sagen, Europa werde es auch ohne den Euro geben. Die Frage ist nur: Wie wird dieses Europa politisch aussehen? Der Ausstieg aus dem Euro würde nicht nur unkalkulierbare wirtschaftliche Risiken mit sich bringen. Am Ende stünde dann eine Rückkehr zur alten EWG, also zu einem Binnenmarkt ohne politische Integration."

## 5. Conclusions

This contribution reconstructed the economic and political discourse related to Eurobonds. Both lines of argument present the demand for a perspectival change. The economic discussion opened up the economic logic itself in order to show that there is economic evidence to introduce Eurobonds. The political discussion shows that different and overlapping discursive borders block any political project in order to find a progressive pathway for the European project in times of economic crisis. Both access points underline the necessity of a re-politicisation not only of single and mostly technical mechanisms but also of the economic-political relation. Both aspects are can be differentiated but in the end, the crisis has shown, they are to sides of one medal which is the question concerning significance of European Integration. What is at stake than is a collective decision of what is meant to be the (European) political space?

But, in this antagonistic situation what could be further steps? To believe in an outcome that will solve everything seems to be naïve. The EU will stay under the watch of the international community and above all under the watch of global financial markets which constructs action as swift necessity. In economical terms, the creation of Eurobonds might have positive effects on interest rate spreads within the Eurozone creating capital for investment through State policies. However, the political construction of the discourse feed by diverging economical arguments and structured by ideological as well as national framed interests is blocking exactly such a step. The central immediate agency, therefore, is still linked to the European Central Bank. It seems to be the only institution having instruments at its disposal with high as well as fast impact. The problem here is, on the one hand, that it will need an accepting ignorance by the Eurozone and, on the other hand – which is even more important – the crisis is thereby creating a different political reality of the EU and the Eurozone without democratic legitimacy (and rather lead by an 'invisible hand'). In the end, it could be again an elitist project (what the integration project might has ever been) and democratic 'misperceptions' are ruled out by acceptance of the expertise or evaluation through financial markets.

In order to counter this deterministic, technical and economist process, a political field has to be regained on a European level. This means to establish institutionalised democratic procedures and thereby legitimated political positions (Parsons and Weber, 2011; Schmidt, 2010). This is not only restricted to members of the EU or the Eurozone as a failing to formulate political perspectives it might also mean to disintegrate European values and norms at a regional level (Subotic, 2011). The idea of a community of states is not only to engage economically but also to create supranational political ideas. Its failure, however, might spread beyond national or membership borders (Diez et al., 2006; Schimmelfennig, 2010).

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