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## Report Calls for Debate on the role of Markets in Society

In a working paper for the Robert Schuman Centre for Advanced Studies at the European University Institute, Dorothy Bohle, Head of Political Science at the Central European University, called for a refreshed debate on the place of the markets in determining the fate of citizens and countries following the bail-out of [Greece](#), recession and the strains on the [Eurozone](#) from international obligations, domestic unrest and the spirit of European solidarity.

Ms Bohle says:

“There is currently frightening little debate about the fact that the European rescue architecture is designed to keep the confidence of the very market actors that have caused so many of the troubles in the first place, and that to this end, basic norms of justice are being violated. The austerity packages put an overly large burden on poorer strata of society, while those groups who already profited most from the past boom years are being largely spared.”

Accusing leaders of reneging on their ideological commitment to the [European Monetary Union](#), Bohle argues that the EMU project was intended as an exercise in authority and discipline for Western citizens who had begun to demand too much from the state whilst simultaneously questioning authority which rested upon hierarchy, expertise; seniority or wealth, rather than on democratic sources. “There was a need, therefore, to limit popular democracy, restore authority, and scale back the interventionist state.”

Bohle goes on to point out that the supra-nationalisation of money removes it from the reaches of domestic democracy and decision-making. It also makes further policy movement on the issue unlikely as different governments and nationalities are less likely to agree on any changes to the system. The legitimacy of the [Eurozone](#) has been expected to lie with its efficiency rather than with its democratic foundations.

The implementation of the EMU, according to Bohle, has involved a significant amount of rule bending; firstly by amending the Stability and Growth Pact so that France and Germany met its requirements, then admitting [Greece](#) to the Eurozone, despite a history of creative accounting within the Greek political system. “Not leaving [Greece](#) behind was a political decision, which took

its cue from the European identity of the project rather than crude macroeconomic indicators,” says Bohle.

Deepening the problems faced by the EMU was the failure of the markets to discipline economies. Using cheap interest credit and riding high on the uniform interest rate, some economies used the Euro to gather unsustainable levels of debt as well as asset bubbles and imbalanced economies. Bohle argues that the strain of responding to electorates, cross-European solidarity and international obligations has led to great pressure on the EMU project.

The restructuring of the European financial system following the bailout of Greece has led to a supranational spectre of debt recovery, including measures touted by Angela Merkel such as international repossession in the form of a team sent to run countries incapable of managing their own finances.

Bohle borrows Peter Mairs phrase to explain that there is a, “gap between responsive government which is concerned with voters and public opinion, and responsible government which stands by its international obligations, a gap which has already been torn wide open in the past is becoming unbridgeable.”

Bohle congratulates Ireland and [Spain](#) for their surpluses and small governments debts in the run up to the crisis – far outperforming Germany which broke the 3% deficit rule of the Stability and Growth pact four times with a government debt of up to 65% of GDP. She says the real shock is how the surpluses of Ireland and [Spain](#) turned into double digit deficits within only two years.

The real issue, Bohle argues, is that countries such as Ireland and [Spain](#) were forced to bail out their banking sectors and take on private debt. Were it not for these problems, their sensible fiscal policies would have stood them in good stead.

[Germany](#) is criticised for relying on the bubble economies of other countries to support its own domestic fiscal virtue of wage restraint, domestic saving and export growth. If other countries begin to rein in their finance then, argues Bohle, [Germany](#) will have to revise its outlook.

Bohle explores the idea of a culturally coherent economic space among nations which share a similar attitude to government spending and debt. She admits, however, that the prospect of kicking out members who break the rules is an unlikely one, given the political sensitivities of such a move.

*Dorothee Bohle is Associate Professor of Political Science at Central European University, [Budapest](#). Previously, she was a junior research fellow at the Social Science Research Center, Berlin, and also held a visiting position at the Center for European Studies, Harvard University. She obtained her PhD from Free University of Berlin in 2001.*

To read the full report, click here: [http://cadmus.eui.eu/bitstream/handle/1814/14674/RSCAS\\_2010\\_77.pdf](http://cadmus.eui.eu/bitstream/handle/1814/14674/RSCAS_2010_77.pdf)

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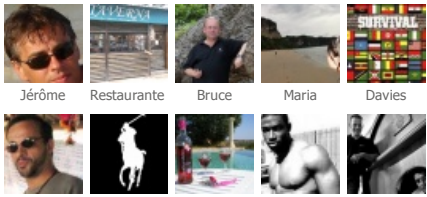
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