



PROJECT MUSE®

In Defence of Europe by Loukas Tsoukalis (review)

Helen Louri

Journal of Modern Greek Studies, Volume 35, Number 2, October 2017, pp. 605-608 (Review)

Published by Johns Hopkins University Press

DOI: <https://doi.org/10.1353/mgs.2017.0039>



➔ *For additional information about this article*

<https://muse.jhu.edu/article/671089>

REFERENCES CITED

Georgopoulos, Dimitris H. (Γεωργόπουλος, Δημήτρης Χ.). 2008. *Ελληνες στο Βέλγιο: Συλλογές και αρχεία* [Greeks in Belgium: Collections and archives]. Brussels: Adelfoi Kyriakidi.

Loukas Tsoukalis, *In Defence of Europe*. Oxford: Oxford University Press. 2016. Pp. xi + 238. Cloth £18.99.

Europe has been seriously traumatized by the 2008–2009 financial crisis, which turned into a sovereign debt crisis and then into a recession. In addition, the policies adopted to overcome it have not been particularly effective. The economic consequences for the weaker countries have been dire, and the political consequences are seen in the rise of populism and extremist parties. Signs of economic and political implosion are evident in many member countries, even in large and powerful ones. Is there a way out? Has the European project failed, at least in terms of delivering the goods promised? Can one provide serious arguments in defense of Europe?

Loukas Tsoukalis, in his masterful analysis, attempts precisely the latter. He starts with questions related to how the crisis started, why it deteriorated to a nightmare for many countries, and why Europe has still not recovered. At the end of the book, he provides important suggestions about the necessary direction of political dialogue on the future of Europe. He focuses specifically on the need for flexibility, so that the European project can emerge from its economic straitjacket. Of course, no detailed solutions can be provided, since they will have to come as the product of extensive negotiations or a “grand bargain” (209), as he calls it.

The book is divided into seven chapters and starts with a *tour d’horizon* of the last half century. Here Tsoukalis attempts to explore the early success of the European project and then proceeds to identify the factors that began to undermine it. “Was it hubris, bad design or bad luck?” (14), he asks about the creation of the euro. Or perhaps, he wonders, was it a fatal combination of all three? Could the creation of the single currency—an ambitious but rather incomplete design and a product of an elite consensus without much public awareness—be the “straw that breaks the camel’s back” (14)? On the other hand, the European project, he argues, might be collateral damage in this latest phase of globalization. Increasing political fragmentation and rising inequality between and within countries are key characteristics of our times.

The basic question of Tsoukalis's analysis is how a crisis of globalized financial capitalism was transformed into an almost existential crisis for Europe. Why has it been so difficult to relieve the crisis for so long? Is it the "dysfunctional triangle of national politics, European policies and global markets" (177) that has caused the ever expanding and overstretched model to stagger? As for the euro area, it seems that "political institutions and democratic legitimacy were conveniently forgotten or ignored" (194), which was perhaps inevitable in such an emergency. But this particular emergency has been going on for years, and the decisions taken were neither quick nor particularly successful. How will this lack of democratic accountability affect political developments? The public debate has been lively recently, which is a good sign. On the other hand, the unwelcome rise of populism, which is offering simplistic if not naïve and dangerous recommendations, is evident even in the rich core countries, not to mention the poor periphery. And what is worse, according to Tsoukalis, is that populism's public approval is increasing. Europe cannot continue along these lines. "Europe needs a game changer" (208), Tsoukalis states, a significant initiative that will create win-win solutions. He argues convincingly for such a new "historical compromise" (17), although he is not particularly optimistic about the outcome.

Until recently, muddling through and doing too little, too late have been the favorite tactics following an obscure strategy based on fear of divorce and punishment for "sinners" (116). Well-defined teams of creditors and debtors were formed within the euro area, where creditors gave the troika, consisting of the European Commission (EC), the International Monetary Fund (IMF), and the European Central Bank (ECB), the power to decide and impose conditions expressed in detailed programs written and signed by governments with no alternatives (but to default perhaps). Debtor countries had already lost access to the markets and did not have a lender of last resort, even though they shared a common currency. Bailouts, which did not "dare speak their name" (80), and the introduction of austerity programs became a difficult reality, while institutions and democratic legitimacy lagged behind. It is manifest that political extremes can blossom in such an environment.

It is also evident from Tsoukalis's analysis that economic integration in the years before the crisis failed to provide a credible model for managing globalization. After all, not every country can be a surplus country, and asymmetries should be taken into account when formulating strict rules. Also, increasing competitiveness cannot always be reconciled with social cohesion, as has been shown by the imposition of internal devaluation (necessary in a monetary union where the tool of devaluation is not available and transfers

are not allowed) in the countries which received loans and applied for IMF-inspired programs. Contractions of GDP and increases in unemployment followed, leading to more inequality both between and within countries. To make things worse, migration of the more educated and productive working force from the periphery to the core countries soared, creating secondary effects on lagging or even negative growth and depriving the countries of origin of a serious investment.

Chapter 4, “Whose rules and whose adjustment,” is the most provocative one in the book. Tsoukalis neatly exposes the problem of a monetary union where saving the banks remains a national responsibility, while member states are blocked from accessing a lender of last resort. As the Deputy Governor of the Bank of Greece during the worst years of the recession (2010–2012), I witnessed the dramatic fall of Greek GDP by a cumulative 20% in just three years. The reappearance of country-level risk within the monetary union caused the bond yields of borrowers (governments or corporates) on the periphery to climb steeply. I still remember my consternation following the steep rise of Greek government spreads driving Greece out of the market in the spring of 2010. “Greece was declared illiquid but not insolvent,” (88) and a series of bailout programs imposing harsh conditions with limited effectiveness started. Tsoukalis maintains that in this way “the legitimacy of the European project was further undermined” (126).

It was obvious that the architecture of the monetary union had not considered the possibility of such extreme headwinds against its weakest members. Furthermore, the headwinds were rapidly affecting an area much larger than the idiosyncratic periphery. The banking union tried to respond to some of these problems by mutualizing many processes (for instance, bank supervision and regulation) and by attempting to streamline some others (common deposit guarantees schemes). However, much remains to be done by the member states in the direction of common banking, money, and capital markets.

The chapter which is the most profound and creative is the last one, where Tsoukalis discusses the difficult choices ahead for European leaders. Europe has seen Brexit, growing internal fragmentation, economic stagnation, and, on top of all that, a wave of refugees and immigrants, mainly from Syria and other conflict-torn or poor countries, creating additional pressure on its economies and institutional structures. In addition, geopolitics in the European neighborhood is becoming more threatening. “Almost 1 million refugees and irregular immigrants are estimated to have landed in Greece alone in 2015” (160), causing additional tension. Burden-sharing among member states is still being negotiated. Tsoukalis, an ardent European, believes further institutional

and political integration is required, especially in the euro area of the 19 highly heterogeneous members, where it is necessary to signify that the euro is irrevocable. Furthermore, democratic legitimacy has to be strengthened, as Europe is involved in the most advanced revolutionary political experiment in the world “to find forms of jointly managing interdependence and the sharing of sovereignty” (196) of its member states. More internal flexibility and differentiation will also be needed as the one-size-fits-all model has not been working for years.

A sustainable monetary union will need a budget that accounts for automatic stabilizers and transfers, some joint issuing of debt, and some risk mutualization—all necessary for the stability of the financial sector. Indeed, a stronger center and a much more differentiated model of regional integration would make future enlargement easier. Tsoukalis does not believe that we will see a United States of Europe in the foreseeable future. However, the members of the EU can (and deserve to) see a healthy economy as well as an inclusive and diverse society, a Europe which will be proud not only of its past but also of its future as a unique example of democracy and integration. Greece has undergone a lot of pain in the recent years to remain a member of such a worthy union.

HELEN LOURI

Athens University of Economics and Business

Karen Van Dyck, editor, *Austerity Measures: The New Greek Poetry*. New York: New York Review Books. 2017. Pp. xxix + 464. Paper \$18.

The Penguin edition of this urgent anthology (2016) carried on its back cover two lines from a short poem, “Elegy,” by Stamatis Polenakis, translated by Richard Pierce:

Nothing, not even the drowning of a child,
 stops the perpetual motion of the world.
 I know that today or yesterday some child drowned;
 a child who drowned today or yesterday
 is nothing—an inanimate puppet
 in the hands of God, a short motionless poem
 in the perpetual motion of the world. (235)

Perhaps it was not used on the back cover of the present edition because while it speaks so heartbreakingly of the refugee crisis, the poem does not touch on the