

## ***Perspectives***

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At the end of this walk through these selected areas of the evolution of Europe's south-east the emerging mosaic at first sight might look somewhat chaotic. The different countries look *very* different; their common history seems to be a mess governed mostly by random moves of global political dynamics; even their cultural heritage appears to be more a source for conflict than a binding element<sup>1</sup>. Nevertheless the spotlights thrown on the different elements of their common evolution should also have convinced the reader that there is a common problem, an overarching problem, more precisely a problem of a common European policy to be designed and executed as soon as possible.

Before World War 1 the Osman Empire has been called the "sick man at the Bosphorus". Its demise has been predicted and it indeed followed soon. Fortunately enough, and perhaps surprising for some less-informed commentators, the current state of affairs in Europe's south-east is *not at all* comparable to the situation before World War 1. Instead of two self-assured but outdated feudal political regimes (Austria-Hungary and the Osman Empire) there now exists a variety of forms of political governance, partly overlapping and overlapped by European and international institutions. To be sure: This mixture of political forces can still be explosive and will not be easy to steer towards less troubled waters. Moreover there is no mighty cox in sight; no single south-east European country is able to take the lead to frame the future development. This agitated bunch of small and medium-sized countries is always good for surprises – and this has its positive side since it sometimes breeds social innovations, though usually on a smaller social scale<sup>2</sup>.

Seen from a European point of view the main problem of south-east Europe can thus be expressed as the need for an agent strong enough to provide such a common perspective, an agent that on the other hand is 'weak' enough, i.e. non-authoritarian, democratically

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<sup>1</sup> Outstanding examples are the conflict on the name 'Macedonia' between Greece and the Republic of Macedonia and the deeply ingrained – though historically unjustified – cultural divide felt by many Turkish and Greek inhabitants. A similar misuse of exaggerated differences in cultural traits has been observed during the Yugoslavian War; in that case between Croats, Serbs, Bosnians, and Albanians.

<sup>2</sup> Think of bargaining techniques or only vaguely formalized bureaucratic loop-hole techniques helping to overcome difficulties that would kill any too rigid bureaucratic system.

organized enough, to integrate many of the aspirations that emerge in this hotbed of European culture. It thus is an extremely difficult role that such a leading political entity will have to play – and there is only one candidate that can take on this challenge: the European Union.

Seen from a different angle, it has to be doubted that the current institutional and personal setup of the European Union, the state it is in, has the capacity to attack this difficult task. In other words, the problems to be solved in Europe's south-east are a test for the viability and further progressive evolution of the European Union. The EU cannot circumvent these obstacles, and when it fails to change several of its current features then it will fail to provide good governance for its south-east part. In that case it will be doomed to degenerate and its very existence will be called into question. Though which features are needed for the democratic governance of a continent, of half a billion people, is not a trivial question. Some guidelines for the tracks to follow have nevertheless already emerged, mostly as a kind of panic reaction of the ECB and some other central institutions and committees<sup>3</sup>.

One common denominator probably is the insight that the very existence of a larger political entity implies its competence to organize transfers from the economically stronger parts of its domain to its weaker parts<sup>4</sup>. As an immediate consequence, there has to be a rapid accumulation of fiscal power in the hands of the European Union which in turn implies a weakening of national governments in that respect. It is evident that the strongest nation states, e.g. Germany, will build up most resistance against this necessity.

Another feature of future governance also emerged as a reaction on the financial crisis, namely a democratic control of large financial intermediaries, vulgo private banks. At the end of this road towards more regulation there is the insight that large scale financial intermediation (e.g. between generations, between nations) is a political process that is part of overall democratic governance<sup>5</sup> – and not a playing ground for personal entrepreneurial 'animal spirit'.

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<sup>3</sup> Compare also [Hanappi, 2013] for a similar, though more detailed, argument.

<sup>4</sup> The word 'solidarity', which is sometimes used to characterize this property is somewhat misleading since it suggests an element of voluntary, morally motivated willingness to do these transfers. For the unifying strength of political authority no benevolence is needed, it simply is the *raison d'être* of a political entity.

<sup>5</sup> The proposed banking union is a first, though only timid step in that direction. The landslide caused by breakdowns of banking competences (including the consequences for European labor markets) is still pending. The hope is that a quickly implemented emergency plan – promoting ECB-control - will prevent the worst. Of course, the ECB itself has to become a more democratically legitimated institution in time.

What has been learned in the Greek case is that there also is an urgent need for more elaborated control of national and regional bureaucracy and administration. In economic theory the notion of hold-up cost, i.e. payments enforced by the threat of *not* administering a certain task (in time), is well established; but operational proposals how to eliminate this socially destructive practice are rare. In such an enormous political entity like Europe the sheer amounts of money flows running through the hands of administrative personnel are always enticing<sup>6</sup>. This type of control mechanisms, in particular when electronic money transfer is the rule, still is mostly terra incognita and has to be developed rapidly.

Finally what has been learned from the explosion of unemployment rates, in particular from youth unemployment, has to be turned into a conscious and continuous education policy of Europe. Instead of internal and external build-up of coercive power - internally disguised as 'security policy', externally justified as a NATO expansion necessary to democratize the East – European people urgently need publicly financed education programs that enable Europe to find its place in the global division of labor<sup>7</sup>. South-east Europe would be a perfect example for such a shift of emphasis in public expenditure. And there is probably no other topic where existing nationalisms and the overall European agenda collide more visibly. Perhaps this property makes it to a particularly well-suited starting point to convince young European citizens in Europe's south-east of the desirability of a common Europe.

These perspectives do not promise certainties, they just express options. But these options are becoming clearer every week, the possible downsides if chances are missed are often immediately experienced<sup>8</sup>. A European learning process has started, and to some extent it will be learning the hard way – in particular at its epicenter: Europe's south-east.

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<sup>6</sup> Moreover today's money is just a momentous glimmering on a screen. To be able to use this flow for a few minutes of speculative investment somewhere else in the world was not an option for anybody some fifty years ago. Today it is, and tomorrow these opportunities might be even more destructive. What used to be called bribery has experienced a quantum jump – not just in Mediterranean countries – both in amounts and in scope.

<sup>7</sup> More details on Europe's place in the global division of labor are developed in [Hanappi, 2012].

<sup>8</sup> In some cases, e.g. with respect to several environmental damages, the consequences will take longer to be realized.

## **References**

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