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# The Repositioning of the Euro Area in the World System: Political and Economic Dimensions

**Summary:** This article advocates a comprehensive approach to the current crisis in the Euro Area - and, namely, the joint consideration of the economic and political issues at stake. The European integration - whose greatest development is, to present time, the Monetary Union - is a political project: a matter of will and action. Surely, this political project has a strong and specific economic component. Still, it is political. Therefore, political variables are critical. They must be included in any analysis of the financial and economic circumstances, and they must be considered in any strategy to overcome the current roadblock. The Euro Area has to cope, not only with excessive indebtedness, fiscal unbalances and financial markets, but also with the democratic restrictions to austerity and economic recession, and with the democratic requirement to respect social rights, to look for public support and to engage in political dialogue and compromise. In liberal democracies, as ours, the employment, social protection, citizenship and the right to believe and hope are full goals for the public policies, including the economic and fiscal ones.

**Key words:** Europe, Public policy, International economy.

**JEL:** A14, F02, G01.

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Since its beginning in 1952, the European integration is one of the most important and original processes the world system has experienced. The First World War took place in Europe and the Second World War emerged and partially developed also in the Old Continent. The primordial and main goal of the European integration was to prevent the occurrence of a new military conflict. During the Cold War, the expansion of the European Economic Community (EEC) represented, on the one hand, a reinforcement of the position of the liberal-democratic states and, on the other hand, a moderating force to North-American hegemony. In the 1970's and 1980's, first the engagement and then the enlargement of the Community into the Southern countries that had just overcome long dictatorships, proved to be essential to the success of their democratisation. Subsequently, a new wave of democratic transitions spread to various regions of the world. From 1989 onwards, new steps taken by the European Union (EU) towards integration were crucial to the stabilisation of the social and political situation of the Continent as a whole. This refers either to the enlargement of the EU into the former Eastern European countries, or to the linkage of the reunification of Germany to the creation of a single currency, the euro.

The 28 member states sum up to a total of 506 million EU inhabitants, being the greatest product and consumer market of the world. The 18 member states cur-

rently grouped in the Euro Area represent 333 million people. So, the huge effects of, first, the financial crisis of 2008 and, then, the so-called sovereign debt crisis of 2010, must be equated as a critical issue, both in terms of economic policies and international relations. This issue demands an interdisciplinary approach, one that could be inspired by sociological and political theory, along with economic theory.

## 1. Literature Survey: Less Interdisciplinarity than It Would Be Suitable

Unfortunately, there is a very weak consciousness of the need and advantages of such an interdisciplinary approach. Of course, the current European crisis has been considered by eminent sociologists, like Ulrich Beck (2013) or Jürgen Habermas (2013), and the economic and fiscal policies have been carefully scrutinised under such a perspective. Among the economists, Dani Rodrik (2012, pp. 214-220) examined the experience of transnational governance inherent to the EU, as a possible way towards the political regulation of globalisation. In this framework, Rodrik identified both the results and the gaps of the European institutional architecture, namely regarding the response to the 2008 crisis. By means of their access to media, top researchers like Joseph Stiglitz, Paul de Grauwe, and Paul Krugman offer a very acute reflection on the fragility of political orthodoxies to deal with the structural causes of the Great Recession.

Nevertheless, the scientific routine, well established according to disciplinary divides, still prevent us from a broader approach to the current crisis and the prevailing policies. This article aims to suggest that a deeper dialogue between social scientists from various proveniences could help us in designing such an approach.

## 2. The Uniqueness of the European Union

In the year of 2011, the GDP *per capita* of the EU was close to the Japanese; and the GDP *per capita* of the Euro Area was higher, supplanted only by the United States of America (USA) (see Table 1). Together, the Euro Area and the USA were responsible for more than one third of the world's GDP (International Monetary Fund (IMF) 2012, p. 179). The kind of regional integration that the EU has been pursuing stands as a paradigm for other regions, in Asia or in North America, in South America or in South Africa.

**Table 1** GDP per capita, Euro Area, USA and Japan, 2001-2011 (Power Purchasing Parity, PPS, EU-27=100)

Regions / countries	2001	2011
EU-27	100	100
Euro Area	112	108
USA	156	148
Japan	115	105

Source: Eurostat (2013b).

Being central to the world system, the EU is also absolutely unique. It is singular because of the approach followed in the integration process, since the founding

decision of pooling the management of industrial resources useful for military purposes. And it is singular because of the entity that was eventually created: a *sui generis* association of several states, which share critical elements of national sovereignty, according to different forms and timings of integration and in a rather plastic and heterogeneous set of interdependencies. So we have, for example, a dominant German-French partnership on the economic and institutional dimension of the EU, and a critical English-French leadership in security and military affairs; and many countries do cultivate specific geostrategic links, that add value to the EU - for instance, the special relationship the British have with the USA, or the link between the Germans and Central and Eastern Europe, between the Spanish and the Portuguese and Latin America, or between the French and the Portuguese and Africa.

Nevertheless, the most important singularity of the European integration has been its triple commitment to political democracy, economic growth, and the Welfare State. If we consider the three economic centres of the world system - North America, Europe and Pacific Asia - Europe has been the one who took more seriously into account and the one that in fact achieved that "squaring the circle" as Ralf Dahrendorf and Artur Morão (1996, p. 16) put it. This is the ultimate meaning of the so-called European social model. The enlargement towards East, in the 2000 decade, weakened this model; but it didn't disappear, and is still very unique.

Central and singular as it is, the European integration is indeed a political process. Surely, its geo-historic and even civilisational basis is quite clear: first the EEC and then the EU have been evolving, in the last half a century, towards the totality of the European territory. The European integration has a clear cultural matrix, also unique, marked as it is by diversity, its major richness: national, regional, urban, linguistic, religious diversity, as well as in terms of cultural patterns, philosophical traditions, arts and civic culture. This diversity is the very fundament of the development and to the future of the "idea of Europe" (George Steiner et al. 2006, pp. 49-50). Still, the best way to formulate the European project is to call it a political process.

For two complementary reasons. Firstly, it is an action: the expression of a will to act, and its concretisation in a programmed, intended and meaningful intervention. It was an action primordially conceived, advocated and launched by a group of pioneers, who were politicians and technocrats of a few number of countries. Then, the action was carried on, through several decades, by individuals and institutions, and supported with more or less enthusiasm by nations and public opinions. A European public sphere was constituted this way, a sphere that does not replace each national one, but crosses and complements it. In fact, the European project is so precise because of its political nature: at the end of the day, it depends on the collective and institutional engagement it motivates, gaining or losing energy and speed according to the strengthening or the weakening of that engagement. If one misunderstands the voluntarism of the European project, one cannot comprehend EU's present and future.

Secondly, the European integration is a political process as it copes with the very essence of politics: the presentation of several and different forces, the institutionalised conflicts between them, the steps and stages of this quite dynamic play. By

forces we mean interests, traditions, structures, patterns of culture, which are separated by national, regional and group divisions, and which are expressed on various juridical, institutional and behavioural dimensions. The political process is really the combination of these multiple dimensions and players.

Therefore, we cannot say that the European integration is, exclusively or mainly, an economic process. It is a much more comprehensive approach, and an act of will. We shall readdress this point later in the article.

But the economy always played a crucial role in this political, comprehensive process. The economy has been a sort of entrance door. Until the creation of the single currency, the European integration evolved systematically by means of cumulative advancements in the economic sectors: the pooling of industrial resources useful for military purposes, the launching of a common agricultural policy, the orientation towards a single market, the rather difficult building of a common stance in the Uruguay Round, the Monetary Union. Since the beginning, this economic approach has intended to overcome the long-established mistrust and antagonism between nations, by prioritizing the production, consumption and trade activities. Finally, the political process of European integration aimed to incorporate the economic principles of rationality and entrepreneurship, settling the freedom of initiative and circulation against the old and strong protectionist traditions.

### 3. The Nature of the Current Crisis

This is the perspective I wish to adopt in my reflection on Europe's future: the integration process whose most advanced form is presently the Euro Area is a political process, in which the economy plays a critical role, and which is absolutely unique and central, worldwide.

This perspective helps us to frame the facts. Of course, it is impossible to talk about the Euro Area with no reference to its huge crisis. The economy has declined, and there was nothing but a very thin recovery during the second semester of 2013. We could and should say that the European crisis from 2008 onwards was the consequence of the global financial crisis whose epicentre was located in America. But, eventually, the European crisis has acquired some features and an intensity of its own, and it became one of the major obstacles to the recovery of the world economy (António Mendonça 2012, pp. 93-128; see Table 2). The turning point has been the crisis of the sovereign debts, since the year 2010, and the negative effects of the assistance programmes to the peripheral countries. Nowadays, the risk of the implosion of the Euro Area seems to be surpassed, due to a more proactive behaviour of the European Central Bank (ECB), in the summer of 2013. Still, several asymmetries are threatening the Monetary Union.

But we must consider the relevant issues. And they are related to very specific features of the recent history of the European integration. First and foremost, the political hegemony of Germany, and its egoistic logic (Habermas 2013), imposing a kind of "German universalism", that reproduces in the Euro Area the pattern once applied to the former German Democratic Republic (DDR) (the East, sovietised, Germany) (Beck 2013, pp. 80-84). With no visible resistance so far, this hegemonic behaviour clearly contradicts the European institutional paradigm, settled as it was on

the equality of USA, the consensus among countries and political currents and the intercommunity solidarity.

**Table 2** The Forthcoming Evolution of Great Economies, According to the 2013 Autumn Forecast of the European Commission (EC), (GDP Real Growth, in %)

Economy	2012	2013 (estimate)	2014 (outlook)	2015 (outlook)
EU	-0.4	0.0	1.4	1.9
Euro Area	-0.7	-0.4	1.1	1.7
USA	2.8	1.6	2.6	3.1
China	7.8	7.5	7.4	7.4
Japan	2.0	2.1	2.0	1.3
(World)	(3.3)	(3.2)	(4.0)	(4.4)

Source: EC (2013a).

Secondly, the design of the Monetary Union was based on some options that eventually proved to be wrong (Casimir Dadak 2011). Surely, its development has been uneven, since there were no equivalent steps in the crucial fields of fiscal and tax policies or bank supervision. Still, the most important error was the acceptance of two major German impositions: on the one hand, the ECB's mandate, over focused on price stability; on the other hand, the renouncement to link the ECB to the interests of the whole Euro Area, in terms of monetary policies instrumental for economic needs, such as the inflation control, of course, but also the external deficits control and the economic stimulus (see João Ferreira do Amaral 2013, pp. 65-93).

These inadequacies in the architecture and functioning of the Euro Area were catalysed by the logic of the current globalisation of the financial markets. A logic that is increasingly deregulating them, making them permeable to speculative activities and taking them further away from the productive economy. And we all know that this trend of extreme "financialisation" of the world economy was one of the major causes of the 2008 crisis.

Furthermore, Europe suffers from the negative effects of the deregulationist beliefs and the dogma of the fiscal consolidation at any cost (Angelos A. Antzoulatos 2012). These policies reconquered the hegemony in Europe only a year and a half after the anti-cyclic decisions of the European Council in December 2008, launching an expansive fiscal policy. And they have been resisting both the theoretical principle that fiscal policies must be anti-cyclic, expanding when the economy is slowing down and reducing when the economy is accelerating, and the practical verification of its shortcomings, be it in the economic or fiscal level. Even the positive results of the alternative, expansionist policies launched firstly in the USA and now in Japan are not convincing the European orthodox authorities of the need to change the plan.

This set of factors is really downgrading the Euro Area's global position. And this *can* be changed by European institutions and political players.

We must understand adequately the nature of the European present difficulties. They are not the unavoidable consequence of the paradigmatic transformation of the world economy. Indeed, this transformation can only be welcomed by the European spirit. Europeans cannot but appreciate the "rise of the South" - and I quote the last *Human Development Report* (United Nations Development Programme (UNDP) 2013). According to its predictions, together, Brazil, China and India will surpass, no

later than 2020 Canada, France, Germany, Italy, the United Kingdom and the United States, and in 2050, they will represent *circa* 40% of the world GDP, in huge contrast with the 10% they represented in 1950. The development of the emergent economies and the “massive rise of the middle classes” in the South (UNDP 2013, pp. 11-15) are good news for all those that advocate a more balanced world and a more equitable distribution of power. And this is one of the explicit goals of the European foreign policy, as it has been established throughout the years. We wisely say that social welfare is a drive, not an obstacle, to the economic development; similarly, we have to recognize that multi-polarity facilitates, instead of harming, the world equilibrium and cooperation.

The fact is that, even within the present overwhelming difficulties, now comprehending 28 member states and subjected to the new conditions of global economic competition, the EU still embodies today the ideal of 10, 20 or 30 years ago, as the region that combined in the most interesting way the triple objectives of political democracy, economic growth and social cohesion. That is, the region with the highest records in terms of human development. The 2012 Human Development Index marked 25 of the 27 EU's member states (all except Romania and Bulgaria) as “very high development” countries; 4 EU's countries belonged to the top 10, 8 to the top 20 and 16 to the top 30. And when we consider the Gender Inequality Index, the European position increases: 7 EU countries in the top 10, 13 in the top 20, and 20 in the top 30 (UNDP 2013).

#### 4. Structural versus Circumstantial Issues

I do not want to minimize the various and complex problems the Euro Area is currently facing. I am asking for some sense of relativity and context. We must distinguish structural from mere circumstantial issues; and we must consider the multiplicity of the restrictions we have to deal with.

So, on the one hand, the modern and highly developed European societies need to respond to the consequences of global economic change - that is pushing towards East and South an important part of the industry and services, and that is increasing the role and place of emergent economies in the world trade. Simultaneously, we all see the erosion of the classical means for the regulation of capital movements. This change produces critical effects on the European pattern of economic specialisation, and on its competitive advantages. The European repositioning process depends on its capacity to adjust to the new conditions of the world economy.

Demography is another structural issue. Europe suffers from an absence of vitality, in terms of natural growth, that the immigration fluxes, deterred as they are, are not compensating. When we compare the EU to other major populations, we observe that it only performs better than Japan and Russia. According to the Eurostat (2013a), the fertility rate is 1.6 children *per* woman in the EU; and the share of the age group 65+ is larger than the one of the age group <15 years (respectively 19% and 15% of the population).

On the other hand, life expectancy at birth is now 77 years for men and 83 years for women, in the EU. And the educational attainments are quite good: 70% of

those aged 25-64 years have at least an upper secondary education; only 12% of the girls and 16% of the boys aged 18-24 years have already left school without that educational level.

All of these are well-known data. From a normative perspective, some represent undesirable problems - and the ageing of the population because of low birth rates is perhaps the most worrying one. But others must be viewed as welcomed difficulties: for instance, the ageing associated to longer life expectancy, or the increase of education demand. In terms of public policies, all of them constitute sensible issues that underlie basic and conflictive choices on the design, functioning and financing of the systems that provide key social goods, such as social security and solidarity, health care, education, science, and arts. Economic growth seems to be a necessary precondition for the Euro Area countries, in order to at least maintain their levels of accomplishment of these social needs. Conversely, a political option that would mean to renounce to at least part of those levels would question precisely the fundamentals of the uniqueness, the goal-achievement capacity, and the world centrality of the European developmental project.

However, neither the EU nor the Euro Area is a homogeneous territory. And one of the major objectives of the integration process - the convergence between the various countries and regions - is still unfulfilled. On the contrary, the division has grown, at least on some dimensions or by certain criteria.

It is worthwhile to concentrate a bit on this theme, for it is underestimated in the current political and academic debate. In March 2013, Eurostat compared the 2010 GNP *per capita*, in terms of purchase power parity, of the 270 Nomenclature of Units for Territorial Statistics 2 (NUTS 2) regions that then constituted the EU. The richest region was located in the United Kingdom. Its GNP valued 328% of the European average. The poorest region belonged to Bulgaria, and its GNP represented 26% of that average. Let us see, in Table 3, where there are located the 41 regions that were richer than 125% of the average, and the 68 regions that were below 75%.

**Table 3** Inter-Regional Inequality in the EU, 2010

Countries with regions whose GNP per capita is higher than 125% of the European average (number of regions)	Countries with regions whose GNP per capita is less than 75% of the European average (number of regions)
Germany (8)	Poland (15)
Austria, Netherlands (5)	Czech Republic, Greece, Romania (7)
Italy, Spain, United Kingdom (3)	Hungary (6)
Finland, Sweden (2)	Bulgaria, Italy (5)
Czech Republic, Denmark, France, Ireland, Slovakia (1)	France**, Portugal, Slovenia (3)
Luxembourg* (1)	United Kingdom (2)
	Estonia*, Latvia*, Lithuania*, Slovenia, Spain (1)

**Note:** \* No regional division; \*\* overseas departments. Please note that the number of regions is quite variable, according to the area and the administrative organisation of each country.

Source: Eurostat (2013c).

It is easy to note that this inter-regional inequality characterises both the EU-27 and the Euro Area. But, for the later, this is a more problematic question: with no convergence, the conditions for a Monetary Union's viability (or economic sense) are at risk.

I just drew a list of topics, such as the competitiveness and the world specialisation of the Euro Area's economy; the increasing demographic and social needs that it must address; the worsening of its internal inequalities. I only want to stress out that economic growth is a prerequisite for the Euro Area to deal effectively with structural challenges and restrictions. Of course, fiscal sustainability, in the short and long run, defines another major challenge, and also a major restriction to the full utilisation of typical instruments of economic policy, be it Keynesian or close to it. But even this fiscal challenge needs economic growth to be overcome (see, for instance, Emanuel Augusto dos Santos 2012).

However, this orientation towards growth is precisely what is denied by the orthodoxy that now rules the European institutions - and specially the Euro-group. This is perhaps the most important obstacle to European action. By denying the communitarian and national policies the means indispensable to promote growth, the current European orthodoxy weakens our capacity to influence and monitor the repositioning of Europe in the world economy. In doing so, it increases the probability that such repositioning might represent a real downgrade of the European position, with negative consequences to the Europeans' welfare, the uniqueness of the European project, and also the world system as a whole.

## 5. Political Issues

I will move on to my second point: the need to consider the several restrictions that form the present European conjuncture. If I may summarize, the first point was to separate structural from circumstantial issues - and to single out the exact knot where do converge the circumstantial and the structural: that is, the political blindness regarding growth. Now, I want to emphasize that, in our current situation, in Euro Area, the critical variables cannot be reduced to the economic sphere and the fiscal consolidation. Misunderstanding this fact is one of the major obstacles to react effectively and adequately to present difficulties. Unfortunately, Brussels, Frankfurt and Berlin, blinded by their fiscal obsession, fail to recognize this obstacle.

In my opinion, this is a terrible error, both analytically and politically. On the contrary, as the title of this article clarifies, we have to consider the political dimensions of the European repositioning.

For two reasons. Firstly, the European integration is, as we have seen, a political process and project. It was, and still is, a strategy to build and consolidate peace in Europe, to democratize all European regimes and to modernize European societies (including the capital axis of modernization that is social integration, see Nicos P. Mouzelis 2008, pp. 145-163). Secondly, one major consequence of ignoring the economic, social and political *dimensions* of the fiscal and financial problem is to weaken the minimal economic, social and political *conditions* necessary to the solution of this problem. There are limits to the social regression, the political disaffiliation and the economic recession, and if we violate these limits we shall have a boomerang effect. And those who cannot understand this will not be able to draw viable, democratic solutions. The opposite is true: a European political program to overcome the present debt and fiscal crisis has to incorporate a sense of humanism, equilibrium and social engagement.

I will give just an illustration of the dramatic role of the political issues for the future of the Euro Area. I choose two, both critical, issues. The first one relates to the image of the institutions, as well as the people's trust. The other one concerns the political participation of European citizens.

First, please see these two indicators, used in the surveys regularly promoted by the EC: EU's public image (Table 4) and the trust in political institutions (Table 5).

**Table 4** The EU's Image, Autumn 2006 - Autumn 2012 (%)

Year	Total "positive"	Neutral	Total "negative"	Don't know	Total
2006	46	34	17	3	100
2007	49	34	14	3	100
2008	45	36	17	2	100
2009	48	35	15	2	100
2010	38	40	20	2	100
2011	31	41	26	2	100
2012	30	39	29	2	100
2013	31	39	28	2	100

Source: EC (2013b).

**Table 5** Europeans' Trust in the Institutions, Autumn 2006 - Autumn 2012 (% of those Who Declare to Trust)

Year	EU	National Parliament	National Government
2004	50	38	34
2005	45	35	31
2006	45	33	30
2007	48	35	34
2008	47	34	34
2009	48	30	29
2010	43	31	28
2011	34	27	24
2012	33	28	27
2013	31	25	23

Source: EC (2013b).

The erosion of EU's image is clear. In 2006, the total of positive evaluations was almost three times higher than the total of the negative ones. Now, they are almost at the same level. The downgrading occurred in 2010, the year of the sovereign debt crisis and the sudden move to a pro-cyclic, recessive European policy. Mistrust in the political system is a widespread phenomenon, but Table 5 shows that the EU lost part of its advantage comparing with national institutions: 10 years ago, half of the respondents to the Eurobarometer declared to trust in the EU; today, the equivalent proportion is less than one third.

So we have striking alerts, in what regards the public perception and evaluation of political institutions. But there are others, equally relevant, in the field of civic engagement. The last concluded edition of the European Social Survey (ESS 2010), whose data relate to the end of 2010, shows a reasonable commitment to politics: more than 40% of the respondents say they are very or quite interested, only one fifth say they are not at all interested (Table 6). But let's have a closer look to the youngsters: even if we put aside the adolescents, and focus on the age group 18-30, only

6% of these Europeans say that they are very interested in politics, and 28% say they are not all interested. Young generations are telling us that they are less committed to politics, no matter the intensity of the commitment.

**Table 6** Europeans' Interest in Politics, by Age Group, 2010 (%)

Age group	Very interested	Quite interested	Hardly interested	Not at all interested	Total
<18	3.0	20.0	39.6	37.3	100
18-30	5.8	26.4	39.6	28.3	100
31-45	8.0	32.9	37.7	21.3	100
45-60	11.1	37.2	34.5	17.1	100
>60	13.0	36.8	30.5	19.6	100
<b>Total</b>	<b>9.7</b>	<b>33.6</b>	<b>35.2</b>	<b>21.5</b>	<b>100</b>

**Note:** The survey was applied to residents (national or foreigners) in 28 countries, including 22 member states of the EU (all except Italy, Latvia, Luxemburg, Malta and Romania).

**Source:** ESS (2010), author's calculation.

Data regarding real electoral behaviour unveil the same trend. When asked about their attitude in the last national election, the large majority of the citizens of 28 European countries answered that they had voted, 71% (76% of the eligible to vote) (Table 7). But the share comes down to 60% of the eligible (44% of the total), among the youngest. Even in the group aged 31-45, the share of non-voters is above the average. European vote is getting older!

**Table 7** Europeans' Vote in Last National Election, by Age Group, 2010 (%)

Age group	Yes	No	Not eligible to vote	Total
<30	44.4	30.2	25.5	100
31-45	71.0	25.1	3.9	100
45-60	79.6	18.5	1.9	100
>60	82.3	16.7	1.0	100
<b>Total</b>	<b>70.9</b>	<b>22.0</b>	<b>7.1</b>	<b>100</b>

**Note:** The survey was applied to residents (national or foreigners) in 28 countries, including 22 member states of the EU (all except Italy, Latvia, Luxemburg, Malta and Romania). Voting in national elections is formally compulsory in Belgium and Greece, but it is not enforced.

**Source:** ESS (2010), author's calculation.

The indicators I consider here are quite rough, and do not substitute an in-depth analysis of the political turmoil subsequent to the eruption of the 2008 crisis. Throughout Europe, political situation is extremely volatile; it has in common with the economic and financial conjuncture the elements of uncertainty and instability, and the serious risk of an uncontrollable drift. For a straight, simple reason: politics and economy are different dimensions of the *same* phenomenon.

Of course, we are not facing a situation equivalent to that of the 1920's and 1930's. As an effect of the huge effort Europeans did in the post-World War II, we now have a consolidated democracy, the Welfare State is implemented and Governments have means and mandate to intervene in the economies. This is one more argument to preserve the European pattern, in the current crisis.

## 6. Conclusion: A Case for Political Economy

The European integration - whose greatest development is, to present time, the Monetary Union - is a political project: a matter of will and action. Surely, this political project has a strong and specific economic component. Still, it is political.

Therefore, political variables are critical. They must be included in any analysis of the financial and economic circumstances and they must be considered in any strategy to overcome the current roadblock. The roadblock paralyzes, most of all, the Euro Area, and with a huge potential of destruction all over the world. So, the Euro Area has to cope, not only with excessive indebtedness, fiscal unbalances and financial markets, but also with the democratic restrictions to austerity and economic recession, and with the democratic requirement to respect social rights, to look for public support and to engage in political dialogue and compromise. In liberal democracies, as ours, the employment, social protection, citizenship and the right to believe and hope are full goals for the public policies, *including* the economic and fiscal ones. And the political orientation towards those goals is a condition, perhaps a *sine qua non* condition, to a minimum of social acquiescence, if not active support, that is so necessary for a democratic policy, be it economic or not, to be put in action and accomplished.

Therefore, it would be a terrible mistake to minimize the political dimensions of the Euro Area's present crisis. Above all, we cannot ignore the intersection of the economic and political dimensions - there lays the "Gordian Knot" we must undo. Our problem resides, of course, on the current fragility of states *vis-à-vis* the financial markets; on the accumulation of excessive fiscal deficits; on the disparities between core and peripheral countries (see João Rebelo Barbosa and Rui H. Alves 2011). But equally important, if not more important, are issues such as the volume of unemployment, either among youngsters or among adults, the loss of families' income, the economic breakdown - and those less measurable but equally critical variables that we name as fear, despair, mistrust and disaffiliation. Ignoring these issues means to have an incomplete strategy facing the crisis. Moreover, it means to let the crisis evolve to a pattern and to a dimension that will challenge the possibility of a democratic control and outcome.

I have no competence to add something valuable to the debate that is going on, among economists, about the future of the Euro Area. In political terms, I belong to the so-called federalist camp, the one that conceives the Monetary Union as a crucial step further in the direction of a *sui generis* consociation of sovereign States and the consolidation of a social and political Europe, less divided and unequal, be it in regional, national or developmental terms.

Throughout the 1990's and 2000's, the EU has really progressed towards that goal. The progress was made in parallel paths: the single market, the trade policy, the Monetary Union, the foreign affairs, the security and defense common policy, the European space for science and higher education, the Schengen area, and so on. Some of these paths experienced a stronger progress than others. But they are still parallel. And the characteristic leadership of the economic initiatives has been compatible with the preference the European method always conceded to the economy, as we have already seen. Finally, on the one hand, the Euro Area does constitute a

dynamic, changeable, configuration; and, on the other hand, the Euro Area is one of several constellations the institutional architecture of Europe allows for, compatible with others forms and arenas of European integration (see Luís Amado and Teresa de Sousa 2012, pp. 131-191).

Euro, the single currency, is a political construct. It played a crucial role as one of the keys used by Europe to successfully cope with the post-Cold War. As a political device, the euro is neither immutable nor irreversible. Today, we see, under a different light, the economic shortcomings of that device, and its non-intended effect of strengthening the German unilateral leadership. Personally, instead of the question of the disaggregation of the Euro Area, I prefer the question of the restructuring of its principles and means, in order to really fulfill the requirements and capabilities of a Monetary Union. Key issues to that structuring are the following ones: the responsibility and mandate of the ECB; the European bank supervision; tax convergence; to mutualize, even if partially, the sovereign debts; a European budget; and, of course, political sensibility and wisdom to deal with the fiscal consolidation and the rules and objectives of the 2012 Fiscal Stability Treaty.

Meanwhile, I wish to emphasize the role of the economists. The participation of economists in the current public debate is crucial, because the crisis in the Euro Area and its overwhelming consequences for the whole world are really a question of political economy.

I do not claim that economics have to return to its ancient name of political economy. But I do think that one should remember the classical spirit. And we need that spirit to triumph over the so-called economic worldview which substitutes formalism for empirical research, and cultivates an ideologically biased approach.

That is what I request. I ask for economics as a scientific alternative to moralist, almost religious, discourse that can only envisage vice and virtue, crime and punishment, sin and redemption. I ask for economics as a social science, suited to insert and analyse markets within the context of human institutions and social structures - considering markets as the social institutions they also are. I ask for economics as a science of balancing, a science of complexity and dynamism, able to single out policy mixes adequate to real problems and contexts. Finally, I ask for economics as an analytical and decisional discipline, ready to analytically inform decision-making, although realizing that decisions are not reducible to economic choices, but are also related to values, attitudes, and political ideas. Therefore, science is not a dogmatic orthodoxy. Instead, it is an intellectual framework for distinctive, reasonable alternatives.

We do need *that* economics - a social science focusing on the dynamic complexity of our empirical world, assessing and suggesting various alternatives and policy mixes. In such hard times, we need it more urgently and deeply than ever.

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