

# The Muddle-Through Brigade

BY BRIGITTE GRANVILLE

*Europe is in a  
complacency trap.*

**C**ovid-19 has wounded almost every developed country, but the truth is that living standards in many of them had been stagnating or declining for years. Many metrics highlight this trend, but perhaps the most telling comes from the OECD, which reports a 4 percent decline in household median net wealth across its member countries since 2010.

No wonder advanced economies have experienced periodic explosions of anger in recent years—from Donald Trump’s election and the Brexit referendum in 2016 to the subsequent *gilets jaunes* (“yellow vests”) protests in France and an election in Italy that brought two anti-establishment parties to power. Despite these upheavals, predictions of democratic collapse have not been borne out. On the contrary, the establishment has re-established itself.

Whenever an angry public puts political adventurers in power, it is only a matter of time before they reveal that they have no real solutions to people’s problems. One therefore should not read too much into failures of “populist” governance. Historically, populists have tended to be more effective from the outside, where they can help to focus mainstream politicians’ minds on questions they would prefer to avoid.

Even during revolutions that appeared to upend all institutions, the chaos often masked an underlying continuity. The French Revolution started two years after Louis XVI’s finance minister, Charles-Alexandre de Calonne, failed to sweep away the privileged classes’ tax exemptions. Looking back sixty years later, Alexis de Tocqueville concluded that the apparent cataclysm of 1789 had in fact changed little about how France was governed.

Culture, it seems, trumps revolution. In Russia, the Bolsheviks seized power with the fanatical millenarian goal of reinventing society, but they ended up governing as a traditional autocracy—albeit with uniquely cruel and murderous methods.

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But while revolutions often fail to effect much change, that doesn't mean we shouldn't fear them. After all, the human costs are usually high. Even if abrupt institutional change occurs without violence, it is almost certain to harm livelihoods. Democracy's doomsayers perhaps should be heeded after all, especially in Europe.

Sclerotic governance and chronically depressed living standards have created the conditions for further breakdowns and dislocations. It is no secret that labor-replacing technologies and the globalization of labor have hollowed out the mid-skilled and salaried jobs that long underpinned living standards and social stability in developed countries. But during the past decade, this problem has been compounded by financial repression, owing to the combination of fiscal austerity and historically low interest rates.

Against this backdrop, the deepening of institutional fault lines in the European Union has created the sense that something must give. Today's hybrid arrangement of federalism (through the European Central Bank), supranationalism (through the European Commission), and traditional national governance has both strengths and weaknesses. While it seems to reflect most Europeans' preference for some limited degree of shared governance, it rules out effective policy action.

Consider the European Union's vaccination fiasco. In a show of European solidarity, EU countries agreed to delegate their "competence" in this area to the European Commission. The intention was noble. But the Commission was never equipped to run a massive public health procurement program, and national regulators and politicians soon undercut the effort (and public trust) by suspending the AstraZeneca vaccine—thus infringing on the competence of the EU-level regulator (the European Medicines Agency).

Whenever such problems arise, the overwhelming consensus is that Europe should simply muddle through. Rarely is there any willingness to change things, either by creating

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a genuine European government with the necessary fiscal muscle to reverse the continent's relative economic underperformance, or by reversing the integration process.

Instead, institutional purgatory makes Europe a poor cousin to its friends and allies. As U.S. interest rates rise on the back of a relatively buoyant economy, the European Central Bank will once again be reduced to a now-familiar position. The flow of capital into higher-yielding dollar

instruments will weaken the euro, and Europe will use that depreciation to eke out whatever growth it can by tapping external demand, rather than by materially boosting domestic demand. Even if European citizens prove ready to live with this tired state of affairs, the United States and others cannot be expected to tolerate it forever.

European-level paralysis stands in contrast to politics within EU member states. In France, the political establishment collapsed after decades of failure by successive governments (of left and right) to solve several basic prob-

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lems, not least sky-high unemployment. As a result, the two traditional parties were supplanted in the 2017 election by a single mainstream movement led by Emmanuel Macron, which handily defeated a fragmented array of anti-establishment challengers.

Macron's victory showed that longstanding blockages are surmountable at the national level. But the new French establishment has since blocked itself by attempting to transcend left and right. Macron's famous catchphrase "*en même temps*" ("at the same time") has come to sound like an attempt to have everything both ways. A typical example is the impasse on managing Covid-19. Rather than deciding between a robust lockdown and a lighter, Swedish-style approach to social distancing, Macron's government cobbled together a congeries of curfews and other measures that delivered the worst of both worlds.

A further swing of the pendulum in the next national elections—just over a year away—would redound to the benefit of the main anti-establishment challenger: Marine Le Pen of the far-right National Rally. Recent polls show Macron defeating Le Pen by only a narrow 52 percent majority (compared to his two-to-one margin in 2017), putting Le Pen within striking distance of the Élysée Palace.

But even if Le Pen were to shock France and the world, her presidency, like previous "populist" interludes, probably would generate more noise than substance. Beyond her own limitations, Europe's institutional interdependencies would again emerge as the decisive obstacle to change, especially within the monetary union. Europe's muddling underperformance can and most likely will last for some time to come. But this prospect is as uninspiring as it is ultimately dangerous. ◆