

Global Markets, National Politics Test Governance



Just as the Euro seemed to be unraveling in the Spring of 2010, Hertie School Professor of Political Economy, Henrik Enderlein, was teaching a course on the single European currency. His classroom, he says, became a “live experiment” in managing what he calls today’s biggest governance challenge for the political economy: how to create legitimacy when identities are local, politics are national and markets are global.

“To deal with global markets, you need global governance, but that will never be perceived as legitimate as long as politics stays local or national,” Enderlein says.

Enderlein asked his students to imagine they were a group of experts working for the European Commission and to come up with solutions for the Euro’s problems. After what seemed like a fruitful and concrete debate, the students produced an agreement full of fluffy language and based on a vague common denominator—the same conundrum European Union officials face.

“I said: ‘You’re smart students, you have good ideas, but when you have to agree, that’s where you are.’” According to Enderlein, “The problem is, if you have such a diverse set of interests, can you agree on something? This is the issue of sharing a common currency or market with 350 million people who don’t share a common identity.”

How can people agree on policies in this “multi-level” world, where many interactions are global, but politics is nation-state based or local, Enderlein asks. He names climate change, financial markets, and energy as just a few of the hot spots.

“The European Union is one of the most advanced attempts to deal with multi-level governance issues,” he says. “This is why students from all over the world come to us, because they want to learn about those issues where they are actually happening.”

Not that he wants to teach students a specific antidote to such problems. Rather, he hopes his students will take a set of concepts and tools with them, applicable to problems they encounter in the future.

“We give students a skill set, which they can think critically about and activate in the right situation,” he says.

The political economist himself had been researching previous sovereign default crises, such as Russia and Argentina, when the crisis in Europe began. Based on his observations, he could advise policy officials in government and help explain the options and pitfalls of previous policies.

“The bridge between academic research and the policy world was extremely important because no one had ever dealt with a sovereign default in a currency union,” Enderlein says.

Looking ahead, he sees a need for innovative thinking—possibly creating a new type of governance model, where governmental legitimacy exists on different levels.

“Which types of additional political legitimacy can we have without shifting the democratic, nation-state model to the European level?” he asks. “We have to consider the possibilities of dual legitimacies – one at the nation-state and one at the supra-national or European level.”

Hertie School Professor Henrik Enderlein spent last year as a Visiting Professor at Harvard’s Kennedy School of Government and has conducted extensive research in the area of sovereign debt and comparative and international political economics. Prior to his academic career, he worked as an economist at the European Central Bank.