VIEW: WHAT CATALONIA CRISIS SAYS ABOUT EU'S STRUCTURE AND PROSPECTS

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Just four months ago, when the Europhile Emmanuel Macron was elected as Frances president, it seemed that the European Union could finally look forward to a period of calm. But calm is the last thing one can see on the streets of Barcelona, where demonstrations in favour of Catalonian independence a referendum which was brutally suppressed by government forces have been met with equally potent protests against it.

As Spains internal conflict escalates, a return to crisis in Europe may seem all but inevitable. Yet what is happening on the ground in Spain actually indicates that the European economic recovery is strengthening, while highlighting the limits of what the EU can achieve.

The strength of the EUs economic recovery is revealed by the absence of any significant financial-market reaction to the tumultuous scenes in Catalonia. Had a similar situation arisen a few years ago, there would have been a run on Spanish government bonds, and Spains stock market would have tanked. Today, however, markets are taking the countrys profound political uncertainty in stride.

This vote of confidence is built on solid foundations. The entire eurozone economy is growing at respectable, albeit unspectacular, rates. And the Spanish economy has been growing faster than the eurozone average, all while keeping its external accounts in slight surplus.

This means that Spains recovery is based on increasing supply, rather than rising domestic demand, as was the case during the pre-crisis construction boom. Add to that the existence of eurozone institutions that can address temporary financing difficulties faced by banks or states, and it becomes clearer why Spains deep political crisis has not been accompanied by dangerous financial-market gyrations.

But the Catalonia crisis also underscores the limitations of the EUs model of integration, which are rooted in the fact that the Union is ultimately based on the nation-state. This model cannot be described as inter-governmental. Rather, it is based on indirect implementation: almost everything the EU does and decides is carried out by national governments and their administrations.

This distinction can be seen most strikingly in the area of monetary policy, where the decision-making mechanism is definitely not intergovernmental: the European Central Banks Governing

Council operates on the basis of a simple majority.

But the implementation mechanism is certainly indirect: once a decision is made, it is carried out by national central banks — an approach that can have important implications. For example, the vast bond-buying operations nominally undertaken by the ECB in recent years have been handled largely by national central banks, which purchase their own governments bonds.

The European Court of Justice in Luxembourg — another common institution of crucial importance — also relies on a decision-making mechanism that is not inter-governmental. Yet its judges are nominated by national governments, and national courts and administrations enforce its decisions.

A comparison with the United States highlights the weaknesses of this approach. While the US Federal Reserve also has a regional structure, the individual District Reserve Banks cover several states and arent tied to any state government or institution. Likewise, US Supreme Court justices are nominated by federal institutions (the Senate accepts or rejects nominees put forward by the president), not by state governments.

For the EU, relying on its member states to build common institutions was arguably the only way to start the integration process, given deep mistrust among countries that had fought so many brutal wars against one another. And yet a union that relies on the nation-state, not just for implementation, but also for legitimacy, can function only as well as its individual members. But, today, with most of them are beset by internal strife, that model is reaching its limits.

In Greece, weak administrative and judicial systems have impeded economic recovery. In Poland and Hungary, illiberal governments are undermining judicial independence. And in Spain, the political system seems incapable of resolving the conflict between the regional government of Catalonia, with its aspirations of greater self-determination, and the central government in Madrid, which argues that even considering the question would undermine the constitutional order.

Even Germany is facing internal political challenges. Having lost about one-fifth of her voters in the recent federal election, Chancellor Angela Merkel will have to reckon with three unruly coalition partners during her fourth — and probably last — term. As for Italy, opinion polls suggest that a majority of voters now support populist and/or Euroskeptic parties.

While outright Euroskeptic parties appear unlikely to gain power anywhere, these political shifts do not bode well for European integration. The EU faces little outright hostility. Today it is facing, instead, an obstructionist indifference, as many of its member states are increasingly preoccupied with their internal challenges, making European integration little more than a second thought throughout most of the continent.

Those EU leaders who do still want to advance integration can no longer count on the argument, used during the financial crisis, that there is no alternative. And the permissive consensus of the first years of integration is long gone. If further progress toward ever-closer union is to be made, Europes leaders will have to find a new model that can overcome their citizens deepening apathy.

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