

Democracy in an ever closer Union – the challenge of integrating Power and Politics

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Assuming democracy is a good thing, how can we preserve democracy in an ever closer Union?

Though Europe made considerable progress in 2013 (none of the worst predictions for the Eurozone came about; the single currency has survived intact and even welcomed Latvia – an evidence that people still have confidence in the Euro; progress on the SSM etc.), serious challenges remain ahead. Europe is a project on many levels, where layers mix up (EU, Euro zone, Schengen area, the Council of Europe, EU Customs Union, European Economic Area etc.). In such architecture, problems arise when issues that should be taken together are in fact handled separately. John Nugée identified three major disconnects at the heart of Europe's governance: i) in the banking system, where Europe has still not answered the assessment that banks are international in life and national in death" (Mervyn King), ii) in the economic governance of the Eurozone, where the monetary policy is supranational while fiscal policy is not, being the responsibility of Member States and iii) in the realm of politics since at the national level, there is politics but increasingly no power or policy-making and conversely at the Union level there is power and policy-making but very limited political accountability. First, looking at the UK model of full banking union, the EU banking Union in its current state should make sure that interaction with the authorities are equal for all banks, whether that interaction is to supervise, to support or to liquidate. Currently interactions move from administrative (which Europe is good at) to fiscal (which Europe is not). Second, looking at the economic governance, Europe has so far maintained a separation between the monetary and the fiscal parts, with the monetary policy being conducted by the ECB at a supranational level while fiscal policy was decided to be left at the State level. It requires indeed one (the monetary policy) to follow the other (the fiscal one). Fiscal policy is intimately tied up with electoral politics and member states have found it challenging to conduct fiscal policy according to Union rules while answering to national electorates. More broadly, one needs to understand that the awkward truth for the Eurozone is that to cement each step of Europe's journey requires the next step to be undertaken. There is no stable safe-haven before the end of the journey. Finally, looking at the realm of politics, the political architecture of the EU is incomplete and weaker than is normal in a modern democratic state (The Council is not directly elected and has no EU-wide mandate; the EP is elected but its powers are incomplete). As a result, the Commission is very unusual in being able not just to implement policy but also to initiate it while there is no direct electoral consent or accountability for the actions of the Commission. In addition, as power and policy-making are increasingly centralised, a dangerous separation is growing between power and the electorate. The European Parliament elections next May run the risk to be treated as an opportunity for protests – which is not healthy. Restoring the link between the people and power will therefore be crucial in the coming year. There is a common observation that there is "no European Demos". We need the creation of a European political space, with a strong executive linked with people. This leads to the following conclusion that it is time to reunite power and politics with a directly elected federal executive.

Pierre Wunsch, Board Member of the National Bank of Belgium

Starting with general comments, Pierre Wunsch much agreed on challenges and issues. The fact that one cannot avoid to take into account what he calls the "many Europes" is very important as it creates a trade-off between economies of scale and costs of institutional complexity/risk of inertia. Similarly, he pretty much agreed on the identification of the three disconnects.

Looking at the banking union, Peter Wunsch acknowledges that the fiscal element, i.e. common financial and fiscal underpinning, is essentially missing. What happens if there would be a new Lehman moment remains unclear. Insurance against income shocks in EMU remains low while there is a lot to do with the business model of banks.

Moving to the disconnect between power and politics, he made a reference to the Rodrik's trilemma (i.e. economic globalization, political democracy, and the nation-state are mutually irreconcilable). The choice that the EU faces is the same in other parts of the world: either integrate politically, or ease up on economic unification.

First question: Is there a legitimacy issue in Europe? Before the crisis two visions confronted each other: On the one hand, Sidentop (2001) denounces what he called a "bureaucratic despotism" (the EU parliament is the only elected institution while the EC is perceived as a technocracy). On the other hand, Moravcsik (2001) argue that the EU's "democratic deficit" is misplaced (i.e. the EU level is simply specialising in those functions of modern democratic governance that tend to involve less direct political participation). With the creation of the Euro, the EMU became an ambiguous mix of technocratic and political project. The limited conditions to safeguard the euro were not only not followed through (i.e. fiscal discipline soon relaxed, no implementation of the Lisbon) but also insufficient from the beginning. Today, problems of any EA member become the problems of all EA members – a fact that we did not want to see/say. The Euro had been sold to citizens as smooth and practical and that would benefit all. The technical aspects were left alone. Today, we can hear that citizens have been for the Euro so now we should go until the end – the full package, and achieve the political union. So, admittedly, some could feel that they have been cheated in the process.

Next question: Can we build a European Demos? We have been trying all along – cf Luuk van Midelaar's (failed) strategies: The German, the Roman and the Greek strategies.

This leads us to the final question: should we move to a directly elected federal executive? At the EU level, the debate is constitutional and not right wings versus left wings. Hix pleads for a Left-Right competition at EU level as the best way to overcome the institutional gridlock, to provide a clear electoral mandate and increase legitimacy. This confront Bartolini's view: yes, politics is boring when it is about compromise, but who would accept the majoritarian rule in EU? Politisation through "majoritarianism" is likely to lead to a dangerous "constitutional debate" on the future of Europe.

Questions/Answers session

At the EU level, which minority will accept a majority deciding? Only compromises will bring EU further. The EU project will become stronger if built on a strong consensus.

How to increase legitimacy at the EU level? Introducing a right for the European Parliament to dismiss the European Commission and vice-versa would be a significant step. Accountability is crucial. Also, the challenge for the EU is to create a strong leadership. The current leadership is too weak, which is particularly problematic in crisis time. You need to have someone taking the responsibility of the mess. What is democracy? – Leadership working with people (Nugee). Andre Sapir moderated this idea recalling that in Belgium for example there is not one single person having an entire mandate for the country. Such thing does not exist, even in the US. If you ask American citizens who is responsible for the financial crisis, the answer is likely to be the Head of the Federal Reserve, who is not elected but appointed.

Is it the right timing to create a central fiscal authority for taxation, which is considered as the next step of Europe' journey or wouldn't it be wiser to wait for 5 to 10 years given the political crisis at the EU level?

Don't you think we need a proper climate? Whenever it occurs, the most important is that you have to make clear now that it is the end point and prepare people to it.