

Democratising Europe

By Stefan Collignon

Politics is not the art of the possible. It consists of choosing between the disastrous and the unpalatable.

John Kenneth Galbraith (1909-2006)

Europe is in a profound crisis. Revealed by the France and Dutch vote against the Constitutional Treaty, it pervades all member-states of the European Union. The German EU presidency in 2007 will try to find a way out. If this opportunity is missed, the EU may well disappear in a multitude of multilateral cooperation agreements between European nation-states.

European integration is a unique experiment in history. Never before have autonomous nation-states shared their power voluntarily and freely. After two world wars, fifty millions dead and indescribable miseries, European citizens have replaced reactionary conservative ideologies like nationalism and xenophobia by ideas of peace, reconciliation, cooperation and tolerance. For Jean Monnet, the basic idea of European integration was: “We do not create coalition among states, we unite men.” But despite enormous progress, the question arises again: what is it that unites people in Europe. What causes the new European disenchantment? Which strategy can be found for European unification in the 21st century?

The European “malaise” also manifests in right-wing populism. After the Second World War nationalism had been discredited, while individual freedom and political equality became generally accepted democratic norms. Reactionary conservatives, who traditionally looked critically at these values of political liberalism, had to accept the role of a junior partner - often in close collaboration with Christian Democrats - if they did not want to be condemned to irrelevance like Italy’s MSI. A combination of economic liberalism with classical nationalism, what Germans call Social Market Economy, was the economic foundation for this centre-right alliance.¹

¹ Public memory is often short. Even if Social Democrats in Germany appeal nowadays to Social Market Economy, they should not forget that this concept was originally coined as a slogan against them. As Wolfgang Münchau (Das Ende der Sozialen Marktwirtschaft, München 2006) shows, Social

Not by coincidence did Germany's rigid market economists look at European integration with critical eyes. By contrast, Social democrats always understood that in a market economy the social protection of individual freedom and the claim of political equality could only be realized with a stable framework of international cooperation. Their alternative to the Social Market Economy was internationalist Keynesianism. The state served as an instrument to balance personal freedom and social equality at home and to preserve peace in the world. This is why modern Social democracy is liberal, social and international. The German Social Democratic Party (SPD) had been calling already in its 1925 Heidelberg program for the United States of Europe, and it is no coincidence that Helmut Schmidt was an eminent founding father of the euro.²

Since the fall of the wall in Berlin, modern political philosophy seems to be loosening its integrative force. Reactionary conservative thinking is advancing again in many different forms. *Classical nationalism* is promoted by governments emphasizing "national values and interests". For example French Prime Minister Dominique de Villepin proclaims *economic patriotism* and boycotts German-French corporate mergers. The Polish Prime Minister Lech Kaczynski believes the nation-state will be strengthened by EU membership. In Germany, the earlier Euro-enthusiasm has been replaced by a mentality of siege and a narrow Wilhelminian nationalism of "we also have our interests".

Less spectacular but probably more influential is the re-emergence of a new decentralized nationalism. This ideology gives priority to the belonging to a community over individual interests. While classical nationalism was identified with the state, the new decentralized nationalism emphasizes cultural identification.

Market Economy in Germany is neither social nor a market economy. While Ludwig Erhard was at least talking about "prosperity for all", Konrad Adenauer the first German chancellor was more cynical: He stuck the label "social" to Erhard's market economy in order to make it more acceptable. See A. J. Nicholls, *Freedom with Responsibility: The Social Market Economy in Germany, 1918-1963*, Oxford 2000.

² For a description of Helmut Schmidt's role in the creation of the euro, see Stefan Collignon und D. Schwarzer, *Private Sector Involvement in The Euro: The Power of Ideas*, London 2003.

Whether British Euroscepticism, Corsican liberation movements, Bask or Catalanian autonomy, *Lega Nord*, Flemish independence, or Bavarian we-feeling, they all idealize identity and a romantic “self”, while rejecting what appears as different and alien. These are manifestation of pre-democratic, anti-enlightenment ideologies.³

For nearly two centuries convinced pro-Europeans have tried to overcome the conflict-laden and aggressive ideology of nationalism. Never has progress been greater than today. Nevertheless, the argument whereby “we do not need Europe any longer because peace is now assured” mistaken. For, peace requires respect for the individuality of those who are different. It is only sustainable if supported by institutions that protect the dignity of individuals rather than those of groups, cultures and nations.⁴ Peace has to be conquered everyday anew.

Why is nationalism becoming popular again?

The promoters of new nationalism do not understand that today the welfare of Europe’s citizens is dependant on local, regional, national and European interests, which cannot be traded off against each other but must be added up. Welfare gains are not national or local but result from the totality of individual interests of citizens. Optimal policy therefore requires that public goods, which citizens use at different levels, will also need to be efficiently administered at these various levels. Nationalism prevents institutions capable of promoting citizens welfare.

If European integration is to advance, we must understand why nationalism has become popular again. Two factors can explain the re-emergence of backward oriented conservatism that emphasizes identity, tradition and fatherland on the right

³ In eurosceptic countries even pro-Europeans are not immune against nationalistic discourses. For example in Great Britain or in Sweden pro-Europeans promote Europe with the argument that by their membership the EU will become more like their home.

⁴ To avoid misunderstanding: respect against a single member of the group, for example a Muslim, includes the respect for the religion of all other members of that group. By contrast, respect against a culture or a nation does not necessarily warrant respect for the dignity and the rights of individual members of this group.

and left⁵: the new geo-strategic environment after the Cold War and the economic challenges of globalization.

The Soviet threat having disappeared, Europe's geo-strategic position has been fundamentally altered with far reaching consequences for political ideologies. During the Cold War, the defence of national interests and economic and political freedom seemed only possible in close cooperation with other countries. Internationalism was a guaranty of existence, even for nationalists. This explains the permissive consensus that has dominated European integration for decades and transcended most party lines.

After communism, the pre-conditions for this fundamental consensus have vanished. Reactionary conservatives can deploy again the supposed superiority of their own identities and manifest their intolerance without restriction. Thus, the binding force derived from the common threat has disappeared. Paradoxically, today democratic forces have to justify their political ideals and deploy their integrative power more than ever.

Another important reason for the re-emergence of nationalism is the neo-liberal turn inaugurated by Ronald Reagan and Margaret Thatcher. Neo-liberalism was the answer to economic stagnation after the International Monetary System of Bretton Woods failed. Economic freedom was now seen as the engine of growth, while political and social equality were demoted and the public sector was shrunk. The anti-Keynesian revolution lifted nationalist monetarism to a new dogma.

This new ideology opened the path for rapid and uncontrolled globalization. Globalisation means the opening of markets as a result of technological progress and the reduction in the cost of information, transport and trade transactions. However, globalisation does not affect all markets in the same way. Information, communications and finances are in the front line. Easily transportable goods, like textiles, are directly affected while non-tradable goods, in particular the public service

⁵ The French referendum debate was a particularly nasty example of left nationalism.

sector, are only indirectly affected by globalisation. This rather unequal process of globalisation creates winners and losers.

The unintended consequences of liberalisation

One may interpret globalization as the work of neo-liberal ideologists who do not care about the fate of the weak and the poor. This view is not entirely correct. The logic of globalisation derives from the advantages of economies of scale, which only make it profitable to invest if markets are large. It therefore requires the reduction of trade barriers to avoid economic stagnation. The European Union has recognised this logic by creating the Single European Market and the euro. The reduction of non-tariff trade barriers has strengthened Europe's international competitiveness and thereby protected millions of jobs. However, although economically justified, economic liberalisation has unintended political consequences. While there is little dispute that neo-liberal policies are causing growing social inequalities, it is often little understood that neo-liberal policies are a threat to democracy.

Neo-liberalism narrows the claim of *freedom* to its purely economic aspects and thereby weakens the claim of *equality*, which is one of the basic norms of a modern society. Reactionary conservatism re-emerges, because the neo-liberal reductionism creates a political imbalance, which undermines the trust in the fairness and justice of modern democracies.

This development is supported by an important economical mechanism: economic liberalisation produces productivity gains and increases profitability in the tradable goods sector. Although this is desirable in order to insure the competitiveness of Europe's economy, there is a reverse side: in the less dynamic sectors of the economy profit margins come under pressure. Companies with large productivity increases are accumulating innovation rents and are simultaneously pushing the return of capital in the more traditional sectors below average. This development creates economic pressure for small and medium sized companies, which operate mostly in local markets. It is one of the main causes of populism. Right-wing populists are calling for lower wages and taxes and for protection against foreign competition. Left-wing

populists resist the lowering of wages for which they blame immigrant labour and often request a loosening of monetary policy and trade protectionism. Both articulations of populism have xenophobia in common and the nationalistic emphasis on identity. They are therefore a hinderance European integration. However, the real problem is not globalisation or the opening of markets. Rather, what is missing is a fair and just income policy, which would compensate the losers of market integration by redistributing the gains.

However such policy cannot be realised within a national framework. In the Monetary Union, it is the European Central Bank that sets the economic conditions. The dominant inter-governmental governance - voluntary cooperation amongst governments - is also not capable of moderating between winners and losers of globalisation because national governments do not respond to a European constituency. The predominance of nation-state interests prevents the realisation of European citizens' collective interests. Political economists call this the *collective action problem*.⁶ There is a simple way out of the dilemma: while national governments are elected to implement national policies, a European government has to be put in charge of European policy-making

A government for Europe

The idea of a European government is in the air. Some have discussed it openly, for example the Belgium Prime Minister Guy Verhofstadt.⁷ For others it results from the necessity to reform the European Commission. It has become unavoidable because the environment of European policy making has dramatically changed since the signing of the Treaty of Rome, while political institutions have largely remained the same.

Europe is a daily reality for all its citizens. Consumers are profiting from the Single Market; in their pocket they are carrying the euro. Many policy areas have become Europeanized because decisions by individual governments have consequences for

⁶ For a deeper discussion, see Stefan Collignon, Is Europe going far enough? Reflections on the EU's Economic Governance, in: Journal of European Public Policy 11 (2004) 5.

⁷ Guy Verhofstadt, *The United States of Europe*, The Federal Trust, London, 2006.

citizens in all other countries. For example, regulations in the Single Market such as consumer's protection or social minimum standards, but also competition policy, foreign trade and agricultural policy, affect all European citizens together. In the euro-zone, stabilisation policy, i.e. the interaction of monetary and fiscal policy, also has become a public good. Thus, every citizen of the euro-zone is subject to the same conditions of interest or exchange rates when she is taking-up a credit or travels abroad. In all these areas policy decisions by national authorities have consequences outside their own jurisdiction and therefore national interests easily become a source of disturbance for the collective European interest. If for example one country increases its budget deficit, this may increase interest rates in the capital market and thereby lower economic growth for all.

Economists have insisted for a long time that certain public goods can only be efficiently administrated at the level of the centralised state. This is especially true for macroeconomic policy but also for combating border-transcending criminality or foreign security policy. For these policy areas a single political authority at the European level is necessary.

Democracy must be saved

At this point, we encounter the problem of democracy: it is no longer possible to delegate more political competences to the European level without first solving the issue of legitimacy. In a democracy citizens appoint governments to make laws, which are subsequently applied to themselves. In the European Union this is not the case. Citizens are segregated into nation-states and that is where they elect their governments, which are responsible for an undifferentiated amalgam of national *as well as* European public goods. These governments negotiate in Brussels compromises serving their partial interests but they do not necessarily maximise the common interest of all European citizens. Europe's intergovernmental system thereby creates neither political legitimacy nor efficiency. This is why Europe needs to be democratised. European public goods must be administered by a government that is elected by all European citizens. Political decisions in the European context must become more politicised.

Democracy is the institutional articulation of the political claim of equality. This is why democracy has always been a core demand of the political left. But when political decisions are privatised by neo-liberal policies, democratic control disappears. Not all citizens have an equal vote and equal rights. However, as many decisions have unintended consequences for other citizens not associated with the private or decentralised decision-making processes, these externalities require mechanisms of regulation. Traditionally, the state has filled this function, but this no longer works. The essence of a democratic state consists in the fact that each citizen has equal influence on policy making through universal suffrage. Thus, citizens are the sovereign and the state is their agent. To the extent that neo-liberals are shrinking the state, they also attack the democratic rights of citizens – the foundation of republican sovereignty. If they are taking the claim of equality seriously, the democratic left must use democracy at the European level as the instrument to correct the neo-liberal disequilibrium.

By contrast, conservative neo-liberals propose different solutions to the problem of decision-making externalities. The first solution concerns the delegation of decision-making competences to independent authorities. This may improve the technocratic efficiency but it also shields policy-making from democratic control. Over the last two decades, the European Union has increasingly been misused for these purposes by the system of intergovernmental cooperation. Many citizens often only see the absurdity of intense regulation, such as EU directives about the size of apples or the technical specification of tractors seats. The technocratic exclusion of democratic control by citizens feeds the political frustration, which expresses itself in populism, Euroscepticism and new nationalism.

The other conservative solution for the problem of externalities is the return to morality, custom and reactionary values of a dominant culture. Instead of realising their collective preferences freely through control of the democratic state, citizens are exhorted to surrender and submit to the traditional values of an imagined cultural community. In America this leads to the Christian fundamentalism of the Republican party, in Europe to the decentralised nationalism of Eurosceptics.

All democrats should recognise one thing: public goods concerning all European

citizens jointly must be administered by a common European government that is not only accountable to its citizens but can also be revoked by them if voters so wish. Europe's citizens do not only require a voice, they also need an election ballot.

Has the Constitutional Treaty been a mistake?

Nationalists object that there can be no democracy without a European *demos*. Furthermore they argue that European policy compromises are negotiated by democratically elected governments and are therefore sufficiently legitimised.⁸ However, the conservative notion of a community of identity has nothing to do with democratic representation of interests. If Europeans are affected by political decisions taken at the European level, then they must have a democratic right for self-determination. The argument of political representation also does not stand up: the formation of democratic will takes place through public debates, which are particularly intense in the period prior to general elections. However, the European Council of member-state governments does not emerge from *general* elections. The Council resembles an eternal parliament that is only recruited through by-elections. Its role is the defence of nation-states' interests especially in the case of shared political competences, and not the representation of European citizens.

The natural instrument for people's representation is the European parliament. However, this parliament does not have the power to elect a European government.⁹ Thus, the nationalistic argument of an inexistent European *demos* prevents not only the efficient administration of European public goods but also the democratic realisation of European citizen interests. This fatal mix of nationalistic ideology and pre-modern political institutions has deployed its destructive and explosive force during the European referenda on the Constitutional Treaty in France and the

⁸ Even the German Constitutional Court has unfortunately taken this position in its Maastricht decisions in 1993. Author of this unfortunate arch-conservative ruling was Paul Kirchhof, who temporarily served as Angela Merkel's candidate for Finance Minister before the last general elections. See also J.H.H. Weiler, The State „über alles“: *Demos*, *Telos* and the German Maastricht Decision, NYU School of Law, Jean Monnet Center, Working Paper Nr. 6/95, 1995.

⁹ Some object that the European parliament lacks legitimacy because elections to the European parliament are second order political events misused for the manifestation of protest against their own government. However, if citizens had the right to elect the European government their sense for responsibility would certainly be sharpened.

Netherlands. Without a modern democratic alternative, the European Union is not likely to survive. Was it therefore a mistake to conclude the Constitutional Treaty?

The Treaty is a step in the right direction. Opinion polls show clearly that the majority of “No” voters did not reject Europe, but this specific Treaty (Eurobarometer 65, July 2006). Only 36% of EU citizens find that their vote counts in Europe, while 61% desire a Constitution to make Europe more efficient. The Treaty proposes more democracy. But the fact that it can only be changed unanimously was one of the main arguments why it was rejected by left-wing opponents. In particular Part III, which contains specific policies rather than rules for policy making, was seen as casting the neo-liberal model in iron. The real problem of the Treaty is therefore less its insufficient social content but rather the unsolved issue of democracy. European democracy requires that European citizens can decide the political orientation for public goods that are of concern to all of them. All other political decisions remain at the national or local level in accordance with the principal of subsidiarity. This view reflects the modern idea that individual citizens are the sovereign owners both of private and of public goods and that they are charging different institutions to administer these goods in accordance to the incidence these goods have on their lives.

What exactly are European public goods? The Constitutional Treaty has established a clear assignment of policy competences. It has defined exclusive European responsibilities for the following areas: customs union, competition policy in the Single Market, monetary policy for the euro-zone, conservation of marine biological resources, common commercial policy, certain international Treaties. In addition to these areas, member states share a number of competences with the European Union. It also defines domains, which are exclusively under the competences of member states, although they are entitled to cooperate in their own and the communal interest.

One may disagree about the content of this list of competences. For example the Belgian Prime Minister Guy Verhofstadt has proposed that the European government should be responsible for the domains of security and justice, technology policy, economic and social policy, diplomacy and army. Over the medium-term this may be reasonable. However, in the short-run it may be sufficient to give full democratic legitimacy to the institutional competences envisaged by the Constitutional Treaty.

Citizens as authors of laws

The exclusive competences of the Union should be the core of the future European government. This government must be accountable to European voters and responsible for the implementation of the general political orientation. It must be elected and should be revocable by the European parliament. The European Commission could be transformed into such government. European citizens would then have the power to influence European policy-making.

This idea is easily rejected by national governments and their civil servants, who consider that they are the sovereign owners of the powers of their state. However, this is a pre-democratic conception of the state. For Social democrats and the European left, as well as the enlightened representatives of the centre-right, it should be obvious that European citizens are the true owners of Europe's public goods and therefore they must have a right to decision-making. Of course, this does not exclude that member states retain the right to express their interest in the domains of shared competences.

The German presidency of the European Union must now save whatever may be saved from the Constitutional Treaty. In order to preserve its substance, one will need to renegotiate parts of this Treaty. In this context it is important that a new Treaty opens Europe more widely for democracy and co-decision by its citizens. This will not be an easy task. The democratic left should mobilise pressure for more democracy in Europe through the European Socialist Party.

Democratising Europe means to politicize it. If citizens are supposed to have a right for decisions, then they must have a choice between different policy options. Parties are suppliers of political programs and political personnel and they are competing for the votes of citizens. However, party competition is only possible if there is a far-reaching constitutional consensus amongst all large democratic parties. Not by coincidence has the theory of justice emphasised that a good constitution needs to be value-neutral with respect to the content of concrete policies, while the policy-making

rules must reflect principles of fairness and justice.

“It belongs to all of us, this Europe”

A democratic constitution needs a founding coalition, which shares the general principles of a modern democracy, namely freedom, equality and solidarity. A large European-wide social-liberal coalition, including a large part of Christian Democracy, has to become the historic bloc, the founding movement of European democracy. It must assign nationalism to a subordinate position. On the basis of such a constitution, citizens will then elect the European government and parties will compete for office and propose policies amidst daily political controversy. The policy struggle will be over ideology: do we need more economic freedom or more social justice?

In a modern and democratic Europe, citizens must be able to determine their fate by themselves and realize their political preferences through general elections. Europe would then become close to its citizens, a European Republic. The notion may appear grand, but its basic idea is simple. Willy Brandt once has formulated it like this: “It belongs to all of us, this Europe.”