

The Political Redefinition of Europe

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For the past few years, headlines in Europe have been dominated by the financial and economic developments of the crisis, first in the banking system and then in sovereign debt markets. Throughout this period the urgencies of the moment have tended to divert attention from the bigger picture, which is political. To be fair, none of the political questions raised by the sequence of events in Europe since mid-2007 is entirely new. But the crisis has shed new light on them, and may allow Europeans to consider them with more lucidity. The attempt made here is not intended to be comprehensive or even consistent, but only to stimulate more thinking on issues which may become increasingly prominent in the next few months.

Europe's Executive Deficit

There are many causes, dimensions, and narratives of this crisis. To name but a few: the euro area as a far-from-optimal currency area; economic imbalances; supervisory failures and structural fragilities in an insufficiently integrated financial system; lack of competitiveness in the south; lapses of fiscal discipline. However, none of these explains why the crisis has become so intense. An alternative, non-economic narrative is needed and can be labeled as one of ineffective government—the inability to make decisions when they are needed. It is a truth as ancient as politics that no decision is often worse than bad decisions. From this standpoint, the succession of summits and top-level photo opportunities throughout those years in Europe has been essentially an illusion. The political leaders and heads of state and government have been on the front pages almost every day, but this has been a reflection of their collective paralysis rather than decisiveness.

This stands in stark contrast with the other extreme in the United States during the fateful weeks of crisis management in September and October 2008, when the President was literally absent from the scene. In the United States, a strong and long-established executive framework allowed the Treasury Secretary to take initiatives almost single-handedly. Conversely in Europe, the absence of a proper framework to make executive decisions meant that no sufficient progress could be made in spite of constant involvement of the principals. In other words, an executive deficit is the true core of the European crisis.

This executive deficit can be characterized even more specifically. The most basic feature of executive power is the ability to allocate pain and gain—which of course must be appropriately restrained to be kept compatible with liberty. Allocating losses is exactly what Europe has not been able to do, with the feeble exception of the Greek debt restructuring of March 2012 but not to an extent sufficient to resolve the problem at hand. The absence of a mechanism to allocate losses is why Europe's banking crisis, identified as early as the end of July 2007, has been left unresolved and has only become deeper for half a decade. This is not a problem of the periphery, but rather of the center—started in Germany (IKB was the first canary in Europe's banking coal mine) and still essentially unresolved.

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It is not impossible that this executive paralysis may lead to the unraveling of the euro. In a provocative recent piece published on the OpenDemocracy website and reflecting on lessons from the collapse of the Soviet Union, political philosopher Ivan Krastev noted that "the belief that the union cannot disintegrate is also one of the major risks of disintegration." European leaders often insist on the vast progress being made and typically cite the European Supervision Authorities, the "Six-Pack," the European Semester, the Fiscal Compact, or other major initiatives of the past few years. These achievements are not to be underestimated. But they remind one of Mikhail Gorbachev boasting his Perestroika reforms: the fact that many substantial reforms are introduced does not imply that they are sufficient, given the magnitude of the challenge at hand. In his analysis, Krastev takes due note of the fundamental differences between the European Union and the Soviet Union. He quotes historian Martin Malia's observation that the Soviet order "collapsed like a house of cards because it had always been a house of cards," and adds that "the EU is not a house of cards." But he also notes that "the most disturbing lesson coming out of the study of Soviet collapse is that in times of threats of disintegration, political actors should bet on flexibility and constrain their natural urge for rigidity and solutions intended to last which, if and when they fail, can accelerate the momentum to disintegration." Whether on banking or on fiscal policy such flexibility has been scarce in the management of the crisis so far, another manifestation of Europe's executive deficit.

Executive Deficit, Democratic Deficit, and Political Union

There are, of course, partial exceptions to Europe's executive deficit. The European Central Bank has been able, since the very earliest days of the crisis in August 2007, to take swift and decisive action when necessary. Similarly, the European Commission, in its capacities as competition authority and trade negotiator, has a proven ability to act as an executive, including in the case of competition policy in the context of the banking crisis. However, all these cases are in policy areas where it is possible to empower independent authorities with a clear mission and mandate. The challenge is to expand such decision-making capacity at the European level to policy areas with a more direct political content, such as banking policy, fiscal policy, and perhaps also some aspects of structural reforms where consistency at the European level is needed. In these areas, no such independence can be granted to authorities as in monetary policy, competition policy, or trade negotiations. Political accountability is needed.

This suggests that Europe's executive deficit can be seen as the flipside of its much-discussed democratic deficit. Leaders are unable to act at the European level because they do not have a European political mandate to act. Individual members of the European Council may have a mandate from their respective national citizenries, but the aggregation of national mandates which are often mutually contradictory does not result in a European political mandate. A different mechanism is needed to enable the definition and expression of a political direction that applies to European-level policies. The current institutional framework has failed to provide such a mechanism, and thus requires transformation for the crisis to be overcome. This transformation is what Europeans should envisage under the label of "political union." This expression is not new. Four decades ago, it was mentioned as an aspiration in the conclusion of a European Summit in October 1972 in Paris, and had also been used earlier in the European context. But its significance in the current context should be specifically about creating accountability mechanisms that would permit the emergence of a political mandate to act, particularly in areas such as banking policy, fiscal policy, and competitiveness policy which the crisis has shown need to be more tightly integrated at the European level than is currently the case for the euro area's monetary union to become sustainable.

The Role of European Parliament

The historical experience of the past few centuries suggests that the most promising option to achieve this aim is through representative democracy. It seems logical then to consider a central role for the European Parliament. The combination of national parliaments may be envisaged to provide a check on the European Parliament, but cannot substitute for it: as in the European Council, the addition of national political mandates cannot fulfill the need for a European one.

The European Parliament is often lambasted, and sometimes for good reason: many Members of the European Parliament (MEPs) are serial absentees, and pointless grandstanding in its hemicycle is not unheard of. But much of the criticism it receives as an institution is unfair. This includes the infamous Brussels-Strasbourg traveling circus, which is imposed by the member states not the MEPs, and could only be eliminated through a unanimous decision of the Council. Furthermore the European Parliament, in spite of its limited powers, has built a rather constructive track record through the crisis, say on the supervisory package that created the three new European Supervisory Authorities and the European Systemic Risk Board, or on the so-called "six-pack" of five regulations and one directive reforming the Stability and Growth Pact and introducing new economic surveillance mechanisms. In a recent speech in Washington, former European Central Bank President (and recently elected Bruegel chairman) Jean-Claude Trichet opined that the European Parliament was the one institution where he had encountered "the best European spirit" during his tenure at the central bank and particularly since the start of the crisis.

However, the European Parliament as it currently exists is not sufficient to provide the democratic accountability that would allow a meaningful reduction of Europe's executive deficit. At this point, the most authoritative analysis of its shortcomings arguably remains the German constitutional court's landmark ruling on the Lisbon Treaty in June 2009. It is worth quoting at some length:

Neither as regards its composition nor its position in the European competence structure is the European Parliament sufficiently prepared to take representative and assignable majority decisions as uniform decisions on political direction. Measured against requirements placed on democracy in states, its election does not take due account of equality, and it is not competent to take authoritative decisions on political direction in the context of the supranational balancing of interests between the states. It therefore cannot support a parliamentary government and organize itself with regard to party politics in the system of government and opposition in such a way that a decision on political direction taken by the European electorate could have a politically decisive effect.

The court goes on to call this situation a "structural democratic deficit." The Karlsruhe court thus makes two main arguments, both of which need to be addressed. First, the European Parliament's composition is unsatisfactory because European citizens are not equally represented in it. Second, its competencies are too limited for it to have determining impact on policy outcomes.

Regarding the first point about representativeness, it is undeniable that citizens of smaller member states are overrepresented in the European Parliament compared with citizens of larger member states. This impairs the ability of MEPs to collectively represent European citizens. Furthermore, the election processes vary widely across member states, as do the sizes of parliamentary districts and the number of MEPs representing each district. This results in links between voters and MEPs of variable intensity across countries. Much further harmonization of the electoral law governing Europe would thus be needed, together with significant progress towards equality of the number of voters represented by each MEP. Furthermore, the European Parliament should be able to adjust the perimeter of its sessions to the de facto multiplication of different geographical scopes for different policy areas. One possibility would be to introduce specific formats in which, say, only MEPs from euro area countries would vote on euro

area-specific issues, while MEPs from other member states would have some possibility to participate in the discussions but without the right to vote on such matters.

On the court's second point, what is needed is an expansion of the European Parliament to give him more direct impact on policy. Three aspects appear of particular importance in this respect. First, on legislation, it may be time to grant the European Parliament a right of initiative. Second, the Parliament should have much more direct ability to "advise and consent" on individual senior appointments to European-level executive positions. Third, the European Parliament should acquire a genuine "power of the purse" that applies not only to the European institutions' budget but more generally to financial decisions made at the European level, particularly in a future framework of banking union and fiscal union.

Reshaping European Executive Functions

While Europe's legislative branch needs upgrading and empowerment, the current moment does not necessarily call for the creation on the executive side of a fully fledged European government. For the foreseeable future executive tasks performed at the European level will remain in discrete, specifically defined policy areas in accordance with the European principle of subsidiarity. Europe is probably not ready for an institutional framework that would place the ability to decide on the allocation of competencies (sometimes called *Kompetenz-Kompetenz* in reference to the German constitutional vocabulary) at the European as opposed to the national level.

In this context, executive authority may be scattered among different bodies rather than centralized within one single institution: individual ministries and executive agencies but without a prime minister, if one may put it that way. The European Commission may host some of these bodies, as it currently does in areas such as competition policy, but not all as some tasks may require a different governance structure—including but not limited to the future European authorities for banking supervision, resolution, and deposit insurance which need to be established to materialize the aim of creating a European banking union. The vision of a "scattered executive" has the advantage of preventing excessive concentrations of power at the European level while political accountability mechanisms remain in a phase of gradual buildup, and also of allowing a high degree of institutional experimentation and innovation, something that Europe evidently needs. An important aspect is to allow specialist agencies to have as much freedom as possible to hire individuals with the specialized skills they may need.

Naturally, the very notion of a scattered executive raises concerns of coordination among different executive bodies as some policy overlap between their respective remits will inevitably occur. Some kind of "interagency process" will be required, even assuming that each European executive body has wide autonomy within a precisely defined policy scope. The European Council may be the appropriate institution to play this role, provided that the frequency of such interagency decisions can be kept relatively low.

Conclusions and Observations

The crisis is forcing a redefinition of what European integration means from a political standpoint. This will inevitably result in a profound transformation of European institutions. The steps suggested here are a massive simplification of what is needed, and are submitted only to stimulate further reflection; sound constitutional design requires finely tuned checks and balances that go well beyond the expression of broad principles. New treaty arrangements will evidently be needed to implement this transformation. Before they can be envisaged, self-reform initiatives or proposals by the existing institutions themselves

would be welcome: This is particularly true of the European Parliament, which as suggested above may need to play an increasingly central role in the context of a future European "political union" while the executive branch remains, at least for some time, more of a work in progress.

It is easy to dismiss this agenda as unrealistic or even irrelevant or downright dangerous. The backdrop however is that the crisis creates a historic moment for Europe, which calls both for bold institutional innovation, as in earlier moments of European history, and for a rooting of such innovation in historical awareness. Three concluding observations are offered in this perspective.

First, political organization is fluid by nature. Some political entities are very stable—Sweden is an example, even though its borders have fluctuated somewhat over the centuries. But even stable entities can disappear. As Jean-Jacques Rousseau observed long ago, "If Sparta and Rome perished, what state can hope to endure forever?" The Soviet Union disappeared much more quickly than most observers, friends, and foes thought possible. Other political entities change over time beyond recognition—a striking example is Burgundy, which was a kingdom bordering on the Mediterranean in the first millennium before gradually shifting north and ending up incorporating much of what is now Belgium and the Netherlands. While its name remains with a French region somewhere in the middle of this range, its political existence as an autonomous entity ended around five centuries ago but its political legacy is manifold. In Western Europe, the relative stability of borders, at least since the Second World War, acts to a certain extent as a misleading mental screen which hides a continuous evolution of political organization. Specifically, all federations are constantly renegotiated and never reach a fully stable point of equilibrium between the role of the center and that of the federated entities.

Second, and even though this must be stated with a lot of caution, history suggests a general direction towards larger, more complex forms of political organization. From bands to kingdoms, from city-states to empires, from the constitution of nations into states to the formation of continent-sized countries such as the United States or India, the evolution has typically been from smaller to larger. This is not a uniform trend of course. The Mongol Empire of the late 13th century remains unsurpassed by several measures; China assumed the features of a hugely sized nation-state early in history. But skeptics who say Europe cannot organize itself politically because it is too large or too diverse often suffer from a narrow historical focus. Europe itself includes multilingual entities like Finland or Belgium and multireligious ones like Germany—or both linguistic and religious diversity in the case of Switzerland, which also happens to be remarkably stable. Outside of Europe, India is a striking example of a continent-sized democracy that is by many counts more diverse linguistically, culturally, and ethnically than is Europe, and its example tends to disprove the often-heard argument that there can be no European democracy because there is no European *demos*. The awareness of political scale effects was a motivation of European integration from the outset. While making the case for it, Jean Monnet strikingly observed in November 1954 that "Our [European] countries have become too small for today's world, compared with the scale brought by modern technology and with the size of America and Russia today, and of China and India tomorrow."

Third, new forms of political organization are almost always shaped in crises, and often in a way that even the main actors had not been able to predict beforehand. While such crises are rarely painless, they are not necessarily bloody. The union of England and Scotland in 1707, the shift of the United States from confederation to federation in 1787–89, the confederation of Canada in the 1860s, and the creation of the Australian federation in 1901 are examples of sequences of political consolidation that were momentous and largely unpredicted but also essentially orderly and pacific. There can be no prediction that the present crisis will trigger a comparable moment for Europe, nor can it be ruled out as a historical possibility.