

# La nouvelle gouvernance économique européenne

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Eurosystem

## 10' is not much...

- ▶ A few words about the legitimacy issue
- ▶ Two slides on more Europe
- ▶ One conclusion

## Legitimacy issue

- ▶ Context : Rodrik's trilemma
- ▶ "Deep down, the [European] crisis is yet another manifestation of what I call *the political trilemma of the world economy*: economic globalization, political democracy, and the nation-state are mutually irreconcilable. We can have at most two at one time.
  - Democracy is compatible with national sovereignty only if we restrict globalization.
  - If we push for globalization while retaining the nation-state, we must jettison democracy.
  - And if we want democracy along with globalization, we must shove the nation-state aside and strive for greater international governance."
- ▶ The choice that the EU faces is the same in other parts of the world: either integrate politically, or ease up on economic unification. "

\*From *The Economist's* view, "Europe's Political Trilemma", May 11, 2010..



## The legitimacy debate before the euro crisis (I)

- ▶ Procedural issues :
  - Sidentop\*: Specter of a "bureaucratic despotism", "government of strangers"...
  - EU parliament as only branch of EU to be elected (without arising much public interest)
  - Commission perceived as a technocracy.
  - EU Court of Justice unusually powerful.
  - Council of Ministers too secretive and "diplomatic"
- ▶ Output bias
  - Focus on single market with limited counterbalancing policies of regulatory protection or social welfare guarantees
  - ...

\*L. Sidentop, *Democracy in Europe*, Columbia University Press, 2001.



## The legitimacy debate before the euro crisis (II)

- ▶ Moravcsik's (2001 & 2002) argument that the EU's 'democratic deficit' is misplaced\* :
  - EU institutions are tightly constrained by constitutional check and balances
  - More importantly, the functions performed by the EU are "matters of low electoral salience commonly delegated in national systems, for normatively justifiable reasons", i.e. technical matters.
  - "... this gives observers the *impression* that the EU is undemocratic, whereas it is simply specializing in those functions of modern democratic governance that tend to involve less direct political participation.

\*See A. Moravcsik , "Despotism in Brussels ?", *Foreign Affairs*, vol. 80, N°3, 2001 and A. Moravcsik, "In defense of the 'Democratic deficit': Reassessing Legitimacy in the European Union", *JCMS*, vol. 40, n°4, 2002



## What the euro has changed (I)

- ▶ The Monetary Union was an ambiguous mix of a **technocratic project** à la Moravcsik and of a **political project**
- ▶ Technocratic :
  - Independant central bank with one clear and "apolitical mandate"
  - The no bail out rule and the SGP clearly implied that the euro should not lead to any mutualisation of risks
  - Few countries bothered to organise a referendum (and those that did faced trouble)
  - The need for more fiscal discipline and more economic flexibility (see Lisbon agenda) were not politically contentious at the time of the "end of history"
- ▶ Political :
  - For some at least, the EMU would need to be followed by more economic and political integration.
  - Critical views - expressed mainly by US economists - were dismissed as politically motivated and/or irrelevant ("as we would become the most competitive economic region in the World")



## What the euro has changed (II)

- ▶ Sadly enough, even the limited conditions introduced to safeguard the euro were not followed through...
  - Fiscal discipline was soon relaxed
  - And we did not implement Lisbon
- ▶ ...while we now realise that they were largely insufficient.
  - See the plethora of dilemmas and trilemmas that are now being produced in order to explain that the euro is intrinsically flawed.
  - Only looking at public deficits is clearly not enough
- ▶ European Semester, Imbalance procedure, Presidents' agenda...
  - Fasten seat belts, we are entering into very "un-Moravcsik" territory... (see lack of discussions on the Semester in Be)
  - The tensions identified by Rodrik between intra-EU globalisation and democracy have become clearer



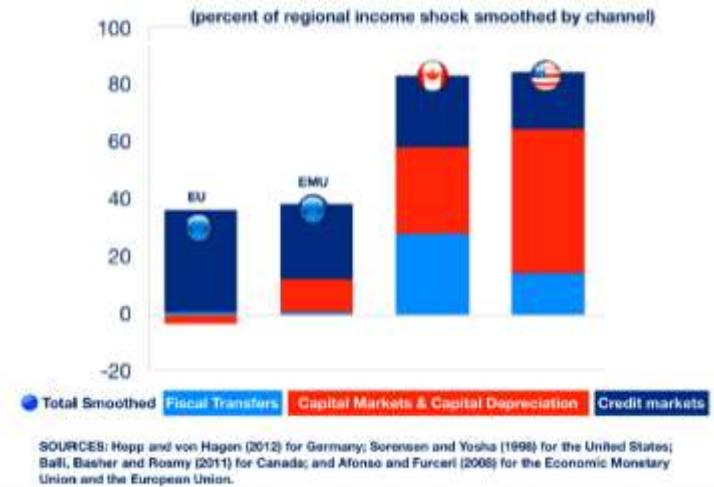
## More Europe : Delors' bicycle

- ▶ Is the euro crisis an opportunity to (at last) go for more Europe ?
  - Yes, believe the « true Europeans »
  - No, say the streets
- ▶ The argument, often used, that we *do not have the choice anymore* looks dangerous to me
  - The euro was not sold to The People as an obligation to go for the United States of Europe
  - People were told that they would have to become more flexible but not too loudly because they would not like it...
- ▶ Impression that the democratic imperative is seen by "pro-Europeans" as an ultimate objective that can wait to be fulfilled, not as a strong constraint *hic et nunc*.
  - The European project remains an elite project



## More Europe ?!

*Insurance against income shocks in EMU remains low.*



Bron: IMF.

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Presentation

## Conclusion

- ▶ I believe, and hope, that we now have the necessary tools to deal with crises under *conditionality* (EMS...)
  - But you can't get the politics out of it
  - And politics at 28 tends to be a bit messy



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Presentation

## Annexes



## Can we build a European Demos ?

- ▶ We have been trying all along...
- ▶ Luuk van Midelaar's three (~failed) strategies
  - The German Strategy :
    - Shared identity (cultural policy, flag, money, anthem, heros, christianity?...)
  - The Roman Strategy : « panem et circenses »
    - Aqueduct, rights and freedoms, protection, solidarity...)
  - The Greek Strategy :
    - Shared project (voice and drama)



## Should we move to a directly elected federal executive ?

### ▶ Hix vs. Bartolini\*

- Hix : Pleads for a Left-Right competition at the EU level as the best way to overcome institutional gridlock, provide a clear electoral mandate and increase legitimacy
- Bartolini : politisation through "majoritarianism" is likely to lead to a dangerous "constitutional debate" on the future of Europe

### ▶ Link with debate between the majoritarian model and the "consociational" model

- Most relevant in countries with confessional or national dividing lines

*\*Politics, The right or the wrong sort of medicine for the EU ? Notre Europe, 2006*

