EUROPEAN UNION AFTER THE SOVEREIGN DEBT CRISIS: A POST-DEMOCRATIC POLITY?

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ABSTRACT

This paper discusses the impact of the sovereign debt crisis on the functioning of national democracies in the EU and its main drivers. After critically reviewing some common explanations proposed to make sense of the transformations undergone by European democracies since the onset of the crisis, it argues that decades of economic integration and lately monetary union have created a transnational policy space in Europe. This is characterized by mutual interdependence where decisions made by national democratic authorities potentially or actually affect the life of people outside the boundaries of their democracies. The analysis shows that the absence of fully empowered transnational democratic institutions and the decision to manage economic interdependence under an intergovernmental framework are largely responsible for stifling national democracies in the EU. It concludes that EU leaders have a choice between taking up the challenge of transnational democracy, breaking up the Euro to decrease economic interdependence and preserve national democratic institutions or steering their societies towards a post-democratic future.

Keywords: European Union, sovereign-debt crisis, transitional democracy, democratic referendum
INTRODUCTION

This paper discusses the impact of the sovereign debt crisis on the functioning of national democracies in the EU and the main drivers of the crisis. Since the onset of the crisis developments justifying such interest have certainly been numerous: a substantially neglected Irish democratic referendum in 2007; another Greek democratic referendum in 2011, called and then cancelled under international pressure and for fear that voters might make troubling future decisions. Additionally, the Italian and (for a while) Greek governments were ousted and replaced by technocratic governments without elections due to fear that voters might choose ‘wrong’ rulers. A group of international and European technocrats (the “Troika”) was also formed in order to deal with democratic rulers (the Greek, Irish and Portuguese) whose perceived incompetence or ill fate might produce “unsound” fiscal and economic policies. A “golden” budgetary straitjacket was imposed upon national legislatures by means of international treaties (the so-called “fiscal compact”) and enforced by a very weakly accountable technocracy (the European Commission) or the judiciary (both the European Court of Justice and national Constitutional Courts) and a technical body (the European Central Bank) - discretely but definitively engaging in a poker match on the future of the Union with other technical bodies (the Deutsche Bundesbank and the German Constitutional Court) as well as national governments. One might ask what is happening to the continent hosting the highest number of democracies in the world and some of the most ancient and resilient ones? How can such symptoms of democratic malaise be explained in a polity, the European Union that has made democracy into a symbol of its own identity and see it as the main source of its soft power around the world?

This essay argues that decades of economic integration and lately monetary union have created a transnational policy space characterized by mutual interdependence where many decisions made by national democratic authorities potentially or actually affect the life of people outside the boundaries of their democracies in Europe. It will show that the absence of fully empowered transnational democratic institutions and the decision to manage interdependence under an intergovernmental framework are largely responsible for the distortions of national democratic governance mentioned above. The first section will critically review some common explanations proposed to make sense of to the situation in European democracies; the second section will briefly recount how Europe got where it is and illustrate why an intergovernmental management of economic interconnectedness is doomed to stifle national democracies in the EU; the final section will look at the “prognosis” of the European democratic malaise, outline the three alternative therapies available for it and warn against the risks of a post-democratic Europe.
THE EUROPEAN DEMOCRATIC MALAISE: SOME COMMON EXPLANATIONS

It has been widely remarked that the most illustrious victim of the sovereign debt crisis may not be the European economy but its democracy. However, there has been a shortage of analysis pointing to the roots of the developments that are stifling it. Two of them deserve particular attention because of their plausibility and intellectual sophistication.

The first explanation is rooted in a Marxist understanding of history and the economy. It gives intellectual dignity to a widely held resentment against financial markets and has been forcefully reinforced, among others, by the German sociologist Wolfgang Streek. In some recent contributions, this scholar poignantly points to what he interprets as a worldwide “crisis of democratic capitalism” (Streek, 2011; 2012). The entire post-WWII economic history is reinterpreted as an attempt at striking a compromise between two inherently contradictory principles: on the one hand the “free play of market forces” serving the interest of those owing scarce productive resources at the expense of the wider collectivity; on the other hand, the satisfaction of the social needs and entitlements of the majority, something necessary for social peace to be preserved. Given the difficulty of finding the means to meet this second target after the end of the trente glorieuses, however, ruling elites had to resort to increasingly imaginative and precarious policies: mounting inflation in the 1970s, rising public debt in the 1980s, deregulation, loose monetary policy and private debt in the 1990s and up to the beginning of the “Great Recession” in 2007.

How does the deterioration of Europe’s democracies fit into this picture? According to Streek (2012), the fact is that “the political manageability of democratic capitalism has sharply declined” during the present crisis and “the capacity of national states to mediate between the rights of citizens and the requirements of capitalist accumulation has been severely affected”. As a result, “the markets have begun to dictate in unprecedented ways what sovereign and democratic states may still do for their citizens and what they must refuse them” (Streek, 2012). The “markets” would therefore be responsible for blackmailing democratic states into submission and making sure that both governments and oppositions embrace the mantra of sound finance so that elections are reduced to empty rituals without any real choice for the people.

This paper will not assess the economic plausibility of this interpretation, though there are certainly reasons to question it, e.g. if some of the rights and entitlements conquered after WWII are not economically tenable anymore this is not necessarily the fault of the markets and those forces of economic development that made such rights and entitlements possible in the first place. The problem
with this approach that this paper will stress is the fact that it fails to recognize the specifically European dimension of the present democratic malaise. Nobody is seriously blackmailing into submission old democracies such as the US or Canada and this is not only because, as Streek (2011) argues, “the US still gets China to buy its mounting debts” and Europe does not. Contrary to what Streek seems to believe, this is not a general “crisis of democratic capitalism” and the democratic proceedings of countries as different as India, Japan, Poland, Denmark, Sweden, the United Kingdom and many more are not under threat. The present crisis is hitting a circumscribed number of countries joining the Eurozone. Many other democracies worldwide are certainly experiencing times of economic duress but their democratic institutions are not undergoing the same mutation as the ones in the Eurozone. Therefore, we need an interpretation to shed some light on the peculiarly European dimension of this crisis, which this paper will return to later.

An alternative interpretative framework to capture the specifically European nature of the present crisis comes from Peter Mair’s (2005; 2008) understanding of the European governance structure. His contribution was published before the most recent political developments in Europe but is insightful enough to shed some light on them. Mair (2005) believes that in the last decades “our understanding of what democracy entails in both theory and practice is increasingly subject to a variety of qualifying definitions, many of which now seem to devalue the role of elections and electoral accountability”. The importance of the popular vote tends to be downgraded and “the need for institutional pluralism and for more reasoned or even expert decision-making” emphasized.

According to Mair, though these developments are not specific to European democracies, the European Union represents a polity specifically and consciously devised to shield policy-making from the vagaries of electoral politics. This is accomplished through different means:

1) The way political leaders contest elections prevent electoral inputs on European issues to be decisive. In particular, they tend to discuss grand, constitutional issues on the future of the European polity when competing in elections to the European Parliament that has no power on such issues and cannot follow-up to voters’ preferences with concrete initiatives. Instead, they exclude such issues when competing in national elections, where the grand problems about the future of Europe may matter, given that decisions on constitutional issues are left with the member states, the ultimate “masters of the treaties”

2) The European integration process limits the policy space that is available to electoral competition. Once something has become part of the so called *acquis communautaire* it is not in the free availability of the national electorate anymore and has to be discussed with the European partners through the procedures of the European polity;
3) Finally, the European integration process reduces the range of policy instruments at the disposal of national governments and empowers non-majoritarian administrative bodies, such as the European Commission and the European Central Bank, with regulatory and political tasks previously performed by electorally accountable national authorities.

Mair’s interpretation of European integration as an inherently depoliticizing process is not new and certainly captures part of what is making democratic procedures in contemporary Europe so convoluted and ineffective. Indeed, in his paper, Mair (2005) makes a powerful claim that seems to explain why some forms of deterioration in the democratic governance of many European states are being widely accepted and occasionally encouraged in the political and financial communities: “through the EU”, he argues, “it is possible to find policy-solutions that are perhaps deemed necessary by governments or administrators, but that might prove unacceptable to many of the citizens of the member states, and that might be rejected by many voters”. After all, which democratically elected government, if left unbound, could have borne the price, in terms of economic duress and social ravage, of the blood-and-tears programs meant to turn Greece into a more mature and better performing economy? Thanks to the European constraints, it has been possible to implement such programs for the last three years: the stakes of not complying now that “Europe asks for it”, citizens have been told, are simply too high and this harsh therapy will pay back in the future.

Mair’s line of reasoning can certainly help to explain why the “There-Is-No-Alternative” (TINA) argument is so often being used to justify the now fashionable disregard of voters’ preferences in the name of ‘Europe’. What does not seem plausible is going as far as to believe that the EU has been purposely designed to go beyond traditional forms of democratic accountability and “has grown in importance and weight precisely because it appears to constitute such an effective non-democratic route to decision-making” (Mair, 2005)xiv. This risks missing what is the heart of the crisis and the key of its destructive propagation, namely the unwillingness and inability of the Euro zone political leaders to address a dilemma about the future of their democracies that, far from carefully planning in order to insulate their policy preferences from the vagaries of electoral politics, they had failed to foresee and makes them uncomfortable.

THE CRISIS OF NATIONAL DEMOCRACY IN THE EU

Over sixty years ago, the fathers of the integration project developed two things: a faith, whose promised land was a continent federated in peace and prosperity after centuries of wars and
destruction and a method relying on “spillovers” from previously integrated fields into other functionally associated areas, that were supposed to generate a self-propelling integration dynamics based on numerous factual constraints in all policy fields. Europeanism as a faith was quick to win over most European elites and political leaders. They seemed to follow the functionalist dynamics of the process set in motion by the founding fathers at a steady pace. The most acute observers, however, did not fail to notice that the self-fuelling nature of the integration project assumed under the functionalist paradigm was greatly exaggerated. After all, it took over thirty years of painful negotiations and crisis to turn the idea of a common market first laid out in the Treaty of Rome (1957) into something more than a mirage in the desert.

One might wonder why the integration project did not stall if the functionalist assumptions had been so misled. The matching of faith and interest allowed this assumption to be fostered until the common currency was launched. Credit for pointing to this goes to the inter-governmentalist tradition of European Studies, that has compellingly shown to what extent each step forward in the integration project served the interests of the participating countries at least as much as their ideals and possibly more. Throughout the decades, governments had come to believe in their ability, as gate-keepers, to fully control the process and were convinced that nobody could force them to agree on something they did not like or want. All major integration steps prior to the common currency had strengthened their confidence: however powerful were the forces for further integration they had unleashed, it had been possible to contain them and always have the last say on the extent and pace of integration. Thus, it was completely natural to assume that the common currency was no exception: as usual, it brought them closer to the fulfilment of the European ideal in a way that was also somehow advantageous to each country’s interests; as also in the past, it only centralized at the European level as little as the states liked (i.e. monetary policy) and left the rest to their free disposal (i.e. fiscal and economic policy, under the loose intergovernmental coordination of the Stability and Growth Pact). Any further step, everybody thought, would necessarily go through the usual process and in over forty years of integration nobody had ever been forced to accept anything against his/her best interest.

Unfortunately, these seemingly reasonable assumptions turned out to be seriously misled. During the sovereign debt crisis, continuous and unexpected “spillovers” have blurred the distinction between monetary, fiscal and economic policy and brought to light the inextricable interconnectedness between financial, banking and economic systems of Euro zone countries. It has become increasingly clear that the Euro zone, in order for its common currency to stably survive, may need some form of budgetary and fiscal union, however loose, and a central bank acting as a lender of last resort (De Grauwe, 2011; 2012). The common currency had been originally accepted as an important symbol of unity but respectful of countries’ national preferences and democracies; it has turned out to require a
commitment to a common destiny whose costs are unforeseeable and could turn out to be dear. After sixty years of mostly unjustified functionalist rhetoric, the new round of integration that the sovereign debt crisis has heralded is functionalism with a vengeance. Nobody has either foreseen (let alone desired) this integration step or is able to tightly control its reach: it is purely driven by the uncontrollable “spillovers” of the common currency as dramatized in the context of the sovereign debt crisis. Unlike the past, national leaders cannot freely pick what they like from the menu of integration and leave the rest. Instead they have a fixed menu (they can maybe choose some side dishes but not more than that) and they need to swallow it in a rush.

Another important specificity of the present situation is that for some countries the European ideal is now in strident contradiction with perceived national interests, something unknown in the past. Countries such as Italy, Spain or France are ready to accept the perspective of a bigger European budget, higher financial solidarity, joint recapitalization of banks and maybe the common issuance of bonds. For them, the logics of integration can be easily reconciled with their national balance of interests. Things are different for Germany, who fears the dangers of a transfer union from which it has much to lose. However, Germany is not in the position to abandon its partners either: politically, this would undermine the German commitment to a peaceful and stable Europe, the most powerful legitimizing narrative of the German democratic state; economically, its consequences constitute a rebus that may be better for Germany itself not to solve, given its interconnectedness with the rest of the European economy and its heavy exposure to its indebted partners. In other words, in this integration Germany has to choose between two perceived evils and this partly explains its reluctance to make a definitive choice in the first place.

It is this commonality of destiny prepared by decades of increasing interconnectedness and later sealed by the common currency that is altering the functioning of European democracies. During the crisis, it has emerged more forcefully than ever that this process has Europeanized the consequences of national democratic choices without creating a European institutional space for democracy. As a result, in contemporary Europe a fundamental disconnection between the sphere to which democratic decision-making processes are circumscribed (national) and the sphere of their policy relevance (transnational) has occurred. The common currency had the effect of disproportionately increasing the stakes of decisions made in one Euro zone country for any other one. This development inevitably weakens a fundamental principle of democracy, namely the idea that people who bear the consequences of some decisions should also have a say in the process that makes such decisions. European citizens have long being accustomed to the subtle loss of democratic control over their fate that economic integration entails in numerous policy fields. If a national health authority in the EU fails to correctly assess the risks of any marketable item, for example, such risks will uncontrollably
spread throughout the common market without affected foreigners being able to sanction the responsible authority in any meaningful way. However, it is the crisis of the monetary union that brought about these “democratic externalities” (Maduro, 2012) at the heart of national fiscal and social policies, the holy of holies of national democracy. In so doing it raised with unprecedented urgency the problem of their management, which, in the absence of strong supranational democratic institutions, could only be intergovernmental. In what follows, two brief illustrations will show why an intergovernmental management of economic interconnectedness made a restriction of national democratic discretion in Europe almost inevitable.

THE ABORTED GREEK REFERENDUM OF 2011

This forgotten referendum was a most revealing symptom of the European democratic malaise and a poignant illustration of what is happening to European democracies. In October 2011 the Papandreou government decided to call for a referendum on the second rescue package proposed by its partners, to which a significant degree of “conditionality” was attached in the form of fiscal cuts and painful social reforms. The proposal provoked serious concerns around Europe and strong pressures, particularly from the French and German governments, eventually inducing the Greek prime minister to cancel the referendum and resign.

How should we judge this episode? The decision to call a referendum on the second rescue package was certainly impeccable from the point of view of Greek national democracy. After all, the electoral program that had brought the socialist government to power two years earlier did not foresee any of the measures imposed by the rescue package and it seemed reasonable to ask the Greek citizens about their willingness to stay in the Euro zone.

Unfortunately, this reasoning is fundamentally blind to the way economic interconnectedness affects the legitimacy of national democratic decisions in a monetary union. The decision of eleven million Greeks about their future in the Euro zone was likely to spill over into the future of another three hundred million Europeans in the Euro zone, since the consequences of a Greek exit on the overall stability of the currency area were far from clear. Unfortunately, these Europeans did not have any means to make their voice heard in a vote as crucial for their future as for the future of the Greeks. One might argue that nobody gave Angela Merkel and Nicholas Sarkozy the right to represent the millions of Europeans with a stake in the Greek vote and pressure Papandreou to cancel it. It is certainly true they were just defending the interests of the German and French citizens respectively, a role that is their duty as heads of these states. Indeed, this is exactly the problem: due to continuous “spillovers” from the common currency and other centralized policies, most Europeans have a stake in virtually any decision made by any democratic ruler in the Euro zone without having any democratic
means of influencing it. The result is that each government feels entitled to defend the interests of its nationals at stake in other governments’ decisions. Since it cannot do it transparently and democratically, it is likely to resort to pressure, interference and occasionally financial blackmail. It is likely to demand, for example, that the financial solidarity required by the common currency be soundly administered by European technocrats. It is likely to discretely intervene in the electoral race of countries strategic to the future of the common currency (e.g. Italy) for fear that the monetary union may be weakened if the wrong coalition prevails, which its nationals may suffer.

This also helps explain the technocratic rhetoric of many measures meant to limit national sovereignty. It is much easier to accept certain restrictions of the democratic process when they are presented as the recommendation of a disembodied and neutral science than when they are intended to defend the concrete interests and democratic preferences of foreign nationals. Furthermore, since each government defends the stakes of its nationals in the decisions of other governments about the common currency, not all citizens receive the same protection. Indeed the democratic preferences of citizens receive more or less attention based on the actual strength of the government that represents them. Bigger countries with better performing economies and significant financial resources are better equipped than others to defend the interests of their nationals and impose their vision. This would not happen in a federal democratic setting, where all constituent countries would have given up just the same amount of sovereignty to central institutions in charge of everybody’s interests. Unfortunately, it becomes almost inevitable when interconnectedness is managed under an intergovernmental framework.

GOVERNING BY THE “TROIKA”

Further insights into the distortions to which basic democratic principles are subject in a transnational policy space deprived of fully empowered democratic authorities come from the experience of those countries that were shut out of financial markets and came under the aegis of a European stability program. In exchange for the financial support of their European partners and the IMF, such countries – the first of which was Greece – were required to implement far-reaching economic reforms often representing a momentous renegotiation of their national “social contracts”. The “Troika”, a consortium of international and European technocrats composed by the International Monetary Fund, the European Commission and the European Central Bank, is in charge of negotiating these “conditionality measures” and has acquired significant agenda setting powers in those countries while being outside of any constitutional and democratic order.

The story of these European rescue interventions is again one of self-interest and economic interdependence. Since the beginning, the destiny of Greece was a matter of concern for all euro zone
rulers due to the risk of a fatal spiral of contagion and economic disorder in the entire currency area. Therefore, European leaders decided to step in and provide financial support to the country. However, the Greek government stayed democratically accountable solely to its citizens, whereas the entire monetary union had a stake in the management of the Greek economy and the money Greece was using to avoid default came from citizens of other countries. Was it unreasonable for these countries to ask that their preferences be taken into account and their legitimate interests internalized by the Greek government? Would it be democratic to tax people around Europe in order to finance initiatives completely out of their democratic reach and decided by leaders democratically accountable to other people? Paradoxically, the intervention of the Troika in Greece and other countries under the European stability program was meant to ensure that the democratic rights of many citizens around Europe contributing to their bailout were not completely neglected. It was nothing more than a *sui generis* application of the ancient democratic principle ‘no taxation without representation’.

This happened because the absence of a European platform for democracy and government turned the interplay between Greece’s democracy and the democracy of its partners into a zero-sum game where limiting the former was the necessary condition to ensuring full respect of the latter. Indeed, a closer look the picture is even gloomier and the interplay between European democracies looks more like a negative-sum game where all national democracies lose. If the democratic preferences of most citizens in creditor countries had been fully respected, after all, there would be no Greek bailout at all. The German democratic rulers are constrained by the logic of interdependence and see their democratic freedom restricted as well. This distortion is less readily recognized than the Troika’s abuses in Greece, but has exactly the same root. Obviously, if Euro zone-wide democratic institutions had been in place, such distortions would have disappeared and the disconnection between national democracies and transnational relevance of democratic decisions would have been reconciled. The central institutions would have been legitimized to make their decisions in the name of all Europeans and held democratically accountable for them at the next election. In other words, the existence of a common European stake in the management of the Greek economy made the introduction of a form of institutionalized “co-management” through the Troika necessary. Unfortunately, the decision to keep it intergovernmental almost inevitably made it undemocratic.

**DEMOCRACY IN EUROPE: QUO VADIS?**

The previous section has focused on the “diagnosis” of the European democratic malaise and shown that the decision to manage interconnectedness under an intergovernmental framework has infected
the European polity with a virus that alters the functioning of national democracies and asymmetrically enfeebles them. This section will deal more closely with the “prognosis” of the European democratic malaise and consider in more detail the three alternative therapies available to the doctors to choose. The first has some risks but is also the best suited to revive the patient’s energies and prospectively even increase his life expectancy. The second is intrusive and painful but may well restore the patient’s health after a drastic bloodletting. The third is the worst and it is likely to kill the patient after a painful agony. Unfortunately, it also gives doctors the best chance to shift the blame away in case of the patient’s death.

SUPRANATIONAL DEMOCRACY PRESERVING THE EURO

If the root of the European democratic malaise is the decision to manage economic interconnectedness under an intergovernmental framework, its best medicine would seem to be a European rescue of national democracy. A transnational policy space such as the European one necessarily requires transnational democratic institutions if some democratic legitimacy has to be preserved in the first place. Only the emergence of a truly supranational democratic platform would seem capable of fixing the present disconnect between democratic decisions taken nationally and consequences of these decisions to be borne transnationally. The exact shape of this transnational democracy and the most appropriate strategy to get there are dubious and it should be up to the European leaders and peoples to choose among the many possible alternatives. Issues such as the distribution of powers between different levels and institutions, the role of national parliaments and authorities, the legal ground under national constitutions for a significant surrender of sovereignty, the opportunity to call a pan-European referendum or parallel national ones remain contentious. However, without seriously addressing these issues the further integration that monetary union demands will only accelerate the deterioration of national democracies. It is not difficult to see that, beneath the surface of the discussion about financial solidarity and fiscal union, there is a political bomb ticking in the future of European democracies.

Centuries ago, parliaments first asserted their powers for the purpose of approving the royal budget, so that budgetary powers have historically provided the very foundations of democracy. Budgetary and fiscal union in the Euro zone would partly strip national parliaments of their most ancient prerogatives and open the Pandora box of how to rethink democratic legitimacy in the new setting. Democracies cannot afford a major decoupling between taxation and representation without mortally injuring themselves. If some taxation and budgetary powers, as it seems likely, will have to be shifted to Brussels in order to stabilize the common currency, democratic structures of legitimacy will have too. National elites should admit honestly to their electorates that it is the absence of supranational
democracy in the euro zone that is eating away their national democracies, whereas its birth would represent their rescue.

**NATIONAL DEMOCRACIES WITHOUT THE EURO**

At the height of the debt crisis some leaks to the press signalled the existence of reserved memoranda on a Euro break-up circulating in several European chancelleries, most notably the German one. Understandably enough, the existence of such memoranda has never been confirmed but their inexistence would indeed deserve bigger headlines than their existence. A partial break-up of the Euro expelling the most troublesome countries and allowing the monetary union to float ahead with the decentralized structure decided at Maastricht has certainly been an option for a while. It had some advantages for the core countries, the most prominent one being the possibility to roll back integration and reduce “spillovers” below the threshold of interconnectedness that is jeopardizing national democracies. At a first glance, peripheral countries could find it attractive too, in order to regain full control of their destiny and get rid of what they perceive as a grotesque form of technocratic neocolonialism. In this condition, the old control of the member countries on the content and pace of the integration process would be restored. Unfortunately, this option presented formidable political and economic risks for everybody: bank runs and financial chaos to begin with; then the loss of large amounts of public money committed to rescue funds or through the shares of risk taken by the European Central Bank (ECB); later, competitive devaluations and protectionist measures from the expelled countries; as a result, the common market downsized if not destroyed and the spread of a political anger that could backfire on all European democracies anyway. It does not come as a surprise that this option was quickly ruled out and is simply not on the table anymore. The commitment of the European leaders to the common currency is now firmer than ever; they are intent on following Mario Draghi’s oft-quoted “whatever it takes” mantra.

**POST-DEMOCRATIC EUROPE PRESERVING THE EURO**

If the breakup of the Euro has been ruled out due to its expected political and economic costs, an open commitment of European leaders to the building of a far-reaching supranational democracy faces almost insurmountable difficulties too. The previous section has briefly addressed some of the elements that make the present integration round different from the previous ones. Firstly, it is not happening out of free choice but under the irresistible pressures of the common currency’s “spillovers”. Secondly, some states, Germany among them, consider it as just a lesser evil compared
to a Euro breakup. They are reluctant to lock themselves in a perpetual political union with their mistrusted partners and willing to keep as much room for manoeuvre as possible.

The most formidable obstacles, however, are other countries. Particularly insidious is the fact that an open commitment of the European leaders to political union and further federalization would not necessarily command a democratic majority in all member states. Indeed, the European referenda of the last twenty years represent very discouraging precedents in this regard: integration has been rejected even when the stakes for national sovereignty were minuscule compared to what is being discussed now. In some major countries, particularly Germany, a strong opposition can be anticipated to something that is widely perceived as Germany underwriting the Euro area. That is why, if the commitment of European leaders to the common currency is truly unconditional, democratically asking the people for their opinion will not necessarily be the smartest and most welcome move. In addition, the logistical arrangements necessary would be another obstacle, as no one really knows how to organize a European continental democracy capable of keeping everybody on board and effectively regulating the relationship between Euro zone countries and other EU countries.

History has taught us that when democratic leaders with significant domestic constraints face these difficulties, the likely outcome is that they will decide to turn a blind eye and settle in a highly suboptimal equilibrium instead. In this case, the easiest suboptimal equilibrium for European leaders to settle in is “post-democratic”. By post-democratic this paper does not argue that Euro zone countries will fall prey to authoritarian rulers or abandon their formal commitment to democracy. Simply, they will do as little as possible, preferably in disguise, to fix the flaws of the currency area and later manage the deterioration of national democracies that this implies. For example, instead of openly negotiating a far-reaching mutualisation of public debt with all the democratic guarantees that this implies, measures will be taken to partly obtain the same effect in the least transparent and most seemingly technical ways, most likely through the balance sheets of the European Central Bank.

The first signs of this strategy are already visible. It is no mystery that so far the German chancellor has opposed any hypothesis of Euro bonds because it would unduly commit the money of the German taxpayer to support expenses carried out in other countries. It might come as a surprise that in September 2012 she enthusiastically supported the ECB in its decision to purchase unlimited quantities of bonds from the peripheral countries, if necessary to decrease their borrowing costs to more reasonable levels\(^{vii}\). Since such purchases are carried out through the central bank balance sheet, whose main contributor is the Deutsche Bundesbank and ultimately the German taxpayer, one would have expected Merkel to oppose this decision of the ECB with even more decisiveness than the Bundesbank itself. Why did it not happen? After all, the ECB had just demonstrated its availability to
do something that, from an economic point of view, represents nothing less than a hidden subsidy to peripheral countries financed with core countries’ money, notably German money. The point here is that it is a hidden and not an open subsidy; not many German citizens would be able to recognize it as such and blame the chancellor for allowing it. Merkel understands that if the peripheral countries have to stay part of the club something needs to be done to bring down their borrowing costs, and she is ready to consider it. However, she would rather let the ECB dirty its hands instead of taking political responsibility herself.

Another ominous sign pointing in the same direction is the new regulatory framework for economic policymaking developed in the last couple of years. Since the first Greek bailout introduced an unprecedented form of ‘co-management’ of the Greek national economy that gave foreign stakeholders an indirect say in national economic decisions, a new economic governance framework emerged in the EU. Its main pillars are an international treaty (the so-called “fiscal compact”), new obligations under European law (the so called “six pack”) and a political agreement (the so called “European plus pact”). While a detailed analysis of such a framework is beyond the scope of this paper, it is worth stressing that it essentially aims at introducing a rigid rules-based regime policed by the European Commission as an independent technocratic body and meant to take away from national democratic authorities as much discretion in economic decision-making as possible. In other words, instead of creating strong supranational democratic structures to manage economic interdependence and the externalities associated with it, the European leaders are trying to minimize such externalities by constraining the freedom of national democratic authorities.

CONCLUSION

The decisions mentioned above may well be the prelude of what is being prepared for Europe in order to escape the crisis: a hybrid polity in which more and more policies are administered by seemingly technical bodies in an opaque and undemocratic way, while political leaders escape their responsibilities towards the voters and the empty rituals of national democracies are kept alive for ceremonial purposes. A polity where no national democratic ruler is immune from the political and financial pressures of its partners every time he makes a decision that matters to them (and this is likely to happen virtually all the time); a polity where the budgetary sovereignty of national parliaments is formally maintained but substantially restricted by legal constraints and technocratic controls, for fear that a fully empowered supranational parliament overseeing an adequate federal budget could obstruct the opaque manoeuvring of national cabinets; a polity where, in the absence of
a strong central budget controlled by supranational democratic institutions, whenever some countries are in need of financial assistance to face a sudden economic shock that risks destabilizing the monetary union, funds are provided through the European Stability Mechanism (ESM) or, in case of insufficient resources, through ad hoc intergovernmental bail-out agreements, so as to ensure that they take the form of loans and are not intended as transfers. In the name of national democracy, these transactions will be subject to the veto powers of each government, as well as to strong conditionality in terms of economic and fiscal policy. The technocrats mandated by the ECB will be seconded to the interested countries and will make sure, with the same disregard for democratic accountability they have shown in Greece, Portugal and Ireland, that the provided funds are wisely employed. In this scenario, the financially weakest countries may well stay for a long time in the sort of democratic limbo they have been accustomed to in the last three years, with the European technocrats continuously stepping in and out. This state of affairs may accommodate the needs of the strongest countries better than the desires of the weakest ones. However, all European democracies will eventually lose from it. For this very reason, the time may be ripe for European leaders to show some bravery and courageously take up the challenge of transnational democracy.

Notes:
xiv Further on this issue, Mair (2005) argues that “the most important single feature to be borne in mind is that the EU is a construct. It is a system that was designed and built by constitutional architects. (...) The EU is the house that the party politician built” (p. 18).
xv On the idea of European integration as a faith and a messianic vision see Weiler (2011). For a more critical take on the same issue, see, for example, Milward (1992).
xvi For an account of the intergovernmental tradition see, for example, Moravcsic (2002).
xvii This decision, made in September 2012, is at the origin of the Outright Monetary Transaction (OMT) program of the ECB.
REFERENCES


