

Waiting for Europe

by Laurent Warlouzet

The treaty proposed by Piketty *et al.* makes it possible to overcome the sterile opposition between sovereignists and federalists. Yet, rather than democratizing Europe, the creation of a new assembly risks increasing the prevailing institutional confusion.

Reviewed: Stéphanie Hennette, Thomas Piketty, Guillaume Sacriste, Antoine Vauchez, *Pour un traité de démocratisation de l'Europe (For a Treaty on the Democratization of the Euro Area)*, Paris, Le Seuil, 2017, 96 p.

While the European Union was largely vilified by most candidates during the last French presidential election, a small opus seeking to promote a constructive criticism of the EU emerged in the debate. The latter is the product of an unprecedented association between the economist Thomas Piketty, a lawyer, Stéphanie Hennette, and two political scientists well versed in socio-historical approaches, Guillaume Sacriste and Antoine Vauchez. This collective and interdisciplinary work thus constitutes a welcome contribution of the social sciences to a political debate from which they are often absent. The book centers on the proposal for a new treaty on the democratization of the euro area: the “T-DEM.”

To defend this proposal, the authors have opted for a clear and pedagogical style. The book is short, less than a hundred pages long, and a significant portion of it is devoted to the draft treaty, detailed article by article, as well as to a useful glossary of the various European institutions. It is thus part of the debate on the reform of the euro area, which has been driven by many official reports and expert contributions.¹ The problem of reform remains pressing, for even though the euro area

¹ For the most recent official proposals, see: “Commissioner Moscovici’s remarks on deepening of Europe’s Economic and Monetary Union,” European Commission, Press Release, 31 May 2017; Pervenche Bérès and Reimer Böge, *Report on Budgetary Capacity for the Eurozone*, Committee on Budgets and Committee on Economic and Monetary Affairs, European Parliament, 13 February 2017; European Commission, *White Paper on the Future of Europe: Reflections and Scenarios for the EU27 by 2025*, Com(2017)2025, 1 March 2017. For the latest expert contributions, see in particular the review of the same book in: Shahin Vallée, “Pour un traité de démocratisation de l’Europe,” in *Les invités de Mediapart*, 19 April 2017; for a federalist-inspired reflection by a former European parliamentarian: Andrew Duff, *The Protocol of*

has overcome its recent existential crisis, most of its members—and not just Greece—suffer from a deteriorated economic and social situation, as evidenced by high rates of unemployment and poverty, but also by growing inequalities. Let us leave aside the issues pertaining to French politics—this work being in fact part of the reflection on the program of the Socialist candidate Benoît Hamon—and focus on the specifically European aspects of the proposal, on its ambition and its limitations.

A New Assembly to Democratize the Euro Area

The T-DEM would be a treaty signed only between members of the euro area. It would create an assembly that would instill a dose of democratic debate in euro area governance, which has been stigmatized as technocratic and obsessed with austerity. This new parliament would be essentially composed of national parliamentarians, with the possible addition of European parliamentarians. The book envisages several designation scenarios, and concludes, after various simulations, that the new venue could be governed by a left-wing majority. A crucial point is that this chamber would be endowed with very broad powers, not only to propose legislation, but also to closely monitor the day-to-day functioning of an entire maze of institutions and procedures (Troika, European Semester, etc.) which have been accused of operating in a vacuum, of being deaf to the aspirations of peoples. The assembly would have its own power of expertise, independent of that of the European Commission or of the European Central Bank (ECB), which would allow it to participate in the opening of an adversarial debate on the large macroeconomic choices of the area. It would have the power to co-organize the agenda of major euro area meetings—from the most visible like those of the Eurogroup, to the most technical like those of the Economic and Financial Committee, which brings together the senior officials in charge of preparing the meetings of the Council of Economics and Finance Ministers (known as Ecofin). Political debate, which according to the authors would be led by a left-wing majority, would thus regain the ascendancy over a technocracy obsessed with the rules of budgetary balance.

This ambitious proposal clearly stems from the authors' previous works, notably those of Antoine Vauchez on the democratization of the independent European institutions (ECB, Commission, Court of Justice),² and those of Thomas Piketty on the deleterious effects of austerity and the necessary reform of the euro area.³ In an often stunningly mediocre political debate about Europe, this contribution seems far more reasonable than the demagogic proposals put forward by certain candidates for the last presidential election. The merit of this book lies in its focus on a

Frankfurt: A New Treaty for the Eurozone, Brussels, European Policy Center, 2017; for a contribution on financial solidarity: André Sapir and Dirk Schoenmaker, "We need a European Monetary Fund but how should it work?," *Bruegel*, 29 May 2017.

² Antoine Vauchez, *Democratizing Europe*, London, Palgrave Pivot, 2015.

³ See, in particular, his 2014 interview on the "Manifeste pour une union politique de l'euro" (Manifesto for a political union of the eurozone) which he co-signed: "Piketty: 'It is a surprise that a candidate for EU Commission president comes from a tax haven,'" interview published on the website www.euractiv.com, 15 May 2014.

targeted reform, namely the creation of a single institution that would help to address three real problems: the European democratic deficit, the excessive austerity applied in dealing with the crisis of the euro area, and the need to develop a multi-speed Europe. However, the project seems both utopian and insufficient to achieve these ambitious goals.

A Largely Utopian T-DEM

It is doubtful that such a project can have a real political translation. The authors recognize that Germany would most likely oppose the T-DEM project, but they solve this difficulty with a purely legal argument: Article 20 of the future T-DEM provides for its implementation after ratification by only 70 % of member states, making it theoretically possible to do without German agreement. The book, of course, considers this route to be neither the most desirable nor the most probable. It is difficult to imagine that such a treaty could be imposed on the main economic and monetary power of the euro area, thereby undermining the intangible principle upon which the country's prosperity was built: the independence of monetary policy from politics. Let us recall that the Deutsche Mark, which is guaranteed by an independent monetary institution, was born in 1948, even before the Federal Republic of Germany was founded. The desire to shelter it from political power is rooted in the memory of the 1923 hyperinflation, but also of the Hitler regime's incessant monetary manipulations to finance rearmament and then war.⁴ To be sure, the authors of the T-DEM do not recommend ending the independence of the ECB. Yet, they do propose granting decision-making power to the assembly in areas that many German leaders would like to leave to the so-called independent bodies—ECB, European Commission, Court of Justice, and IMF—and this precisely to limit political interference as much as possible.

Moreover, the widely shared perception of German economic success in Europe raises doubts as to the possibility that France might secure a 70% majority of the euro area states. While the German economic and social model is not free from defects (in particular, the Hartz IV law has been denigrated for its social consequences), it undeniably seduces well beyond France at the moment. Let us move past the excessive focus on Germany, which is often accused of all evils, to consider the case of other actors. Indeed, a number of countries outside the euro area—primarily Poland—have long opposed the overly differentiated structure of European institutions for fear of being relegated to a second division. Yet, the main obstacle might come from France itself. Would French rulers accept the delegation of sovereignty to supranational institutions, and, *in fine*, the emergence of a Parliament endowed with broader powers than the French National Assembly? Throughout the history of the EU, French rulers have never been favorable to the reinforcement of European parliamentarism. This is undoubtedly linked to the fact that the Fifth Republic and the European Economic Community—the ancestor of our European Union—were born at the same

⁴ On this point, see in particular: Frédéric Clavert, *Hjalmar Schacht, financier et diplomate, 1930-1950*, Bruxelles, Peter Lang, 2009; Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy*, London, Penguin Books, 2006.

time in 1958.⁵ The reaffirmation of a stable and powerful French executive could not be burdened by a parliamentarism associated with the instability of the Fourth Republic. Gaullists and most Socialists have shared this consensus. Thus, even if Benoît Hamon had become President of the Republic, it is doubtful that he would have supported such a parliamentary shift.

A Utopian T-DEM

Let us imagine, however, that the T-DEM is adopted. What would be its concrete consequences for the management of the euro area? Here again, the authors' predictions seem tinged with optimism. There is no guarantee that an anti-austerity majority would emerge, not just because of the demographic weight of Germany and Northern European countries, but also because many Southern and Eastern Europeans have not drawn the same lessons from the Greek crisis as the authors have. A significant part of the elites and populations in countries such as Ireland, Portugal, or Spain, which took advantage of European solidarity to stimulate their economy at the cost of considerable social sacrifices, but also in countries of the former Soviet Union, which accepted radical transformations in the 1990s, are not ready to assist wholeheartedly a country that is sometimes wealthier than their own.⁶ To be sure, more and more reflections are being conducted, including within the IMF, on the need to alleviate an unsustainable Greek debt, and on the use of the budgetary weapon to reinforce economic recovery in a Europe still marked by the scars of internal devaluations. But in no way do these reflections end up recommending that the floodgates of public spending be opened throughout Europe. The current debate focuses rather on increasing investment and consumption in surplus countries such as Germany.

Avenues for Solving the Democratic Deficit

More generally, it is doubtful that the T-DEM can solve the EU's democratic deficit. The creation of a new institution would add confusion to an already complex system. The convening of the European Parliament in a euro area format would probably be simpler. The authors hope that

⁵ The Treaty of Rome was signed on 25 March 1957, and brought into force on 1 January 1958. The European Commission was therefore born in 1958. The Common Market was gradually implemented from 1 January 1959. On the French governments and the European Parliament, see: Pierre Haroche, "Transposer la Cinquième République. Le régime politique national comme source de la politique européenne de la France," in *Politique Européenne*, 2017/1, 55, pp. 116-142.

⁶ According to Wolfgang Schäuble, 15 of the 19 euro area finance ministers favored a tough line towards Greece during the crucial negotiations of July 2015, in which Greece's temporary or permanent exit from the euro area was very seriously considered: Jean Quatremer, "Wolfgang Schäuble: 'quinze pays étaient en faveur du Grexit,'" *Libération*, 20 October 2015; the critiques formulated by certain Eastern and Central European countries were relayed by the international press: Joanna Berendt, "Little Sympathy for Greece in Eastern Europe," *New York Times*, 8 July 2015; Girts Orests, "Baltic states' advice to Greece: 'Do as we did,'" *Deutsche Welle*, 20 July 2015.

the democratic deficit can be filled by “transnational parliamentary socialization,” which would contribute to opening an adversary debate among the European public. However, it is likely that, as with the current European Parliament, transnational dynamics would combine with the persistence of strong national reflexes, especially if national deputies constituted the majority in this chamber.

The allocation of considerable powers to this new assembly would challenge the current institutional equilibrium—in particular the Commission’s monopoly of the power of proposal, which has formed the basis of the European Community system for more than 60 years.⁷ While this system would obviously be open to criticism, it would probably be more effective than endless intergovernmental discussions within the framework of the Council or that of an assembly partly composed of national parliamentarians. A more explicit politicization of the Commission would likely be preferable, and would allow for debunking the alleged complete independence of commissioners, who are supposed to act in the name of a European interest shared by the College as a whole. As early as the 1960s, the French socialist commissioner Robert Marjolin, who was anxious to develop a European planning strategy favoring collective investment, clashed with the Christian Democratic German commissioner Hans von der Groeben, who, for his part, focused on demanding respect for the principles of free competition.⁸ If such disputes were made more explicitly manifest, for instance via the publication of minority opinions, they could probably contribute to fostering democratic debate, which would then be pursued in the European Council and in Parliament.

Above all, addressing the European democratic deficit presupposes an effort in France itself, and not just in Brussels. In 2014, the European election gave rise to a confrontation between political projects embodied in flesh-and-blood candidates common to all Europe. The Social Democrat Martin Schulz then clashed with the Christian Democrat Jean-Claude Juncker, while the young Green candidate Ska Keller was stealing the show.⁹ Yet almost no one heard of this in France, because the mainstream media, including public channels, refused to broadcast the interviews and debates involving these transnational candidates known as “Spitzenkandidat” (from the German “Spitzen,” meaning summit). The use of a German neologism, adopted throughout Europe, is in itself indicative of the French disinterest in this process of parliamentary competition.

Lastly, the democratic deficit is not unique to the European Union. It also exists at the national level, as shown by abstention rates, the success of protest candidates, and the general incomprehension provoked by a maze of illegible territorial institutions. And it must not be forgotten that the constraints imposed by “Brussels” are, in fact, norms of good management which French leaders have themselves promoted. As early as 1982, when France was one of the main borrowers in international markets, the then Minister of Economy and Finance Jacques Delors set

⁷ For a longer development of this argument, see: Jean-Louis Bourlanges and Elie Cohen, “T-Dem: l’urgence démocratique européenne selon le PS,” website Telos.fr, 21 March 2017. <http://www.telos-eu.com/fr/vie-politique/t-dem-lurgence-democratique-europeenne-selon-le-ps.html>

⁸ On the disputes within the Commission from the 1960s to the 1980s, see: Laurent Warlouzet, *Le choix de la CEE par la France (1955-1969)*, Paris, Igpde, 2011; Laurent Warlouzet, *Governing Europe in a Globalizing World. Neoliberal Europe and its Alternatives following the 1973 Oil Crisis*, London, Routledge, 2017.

⁹ The other Spitzenkandidat were the liberal Guy Verhofstadt and Alexis Tsipras for the European left.

the deficit target at 3% of GDP, in agreement with Prime Minister Pierre Mauroy and President François Mitterrand. This norm, then, cannot be attributed to the Maastricht Treaty. Failure to respect it has entailed running the risk of finding oneself in the humiliating situation of the United Kingdom, which was obligated to seek the assistance of the IMF in 1976, or in the situation of Greece today.

Let us, however, conclude on a positive note: This book is a useful and informed contribution to the debate on the reform of European institutions, far from the antithetical positions of sovereigntists and federalists. Its proposals may, of course, seem largely utopian, but no more so than other valuable reforms that are the subject of frequent discussions—for instance, the alignment of the ECB’s mandate with that of the US Federal Reserve, the creation of a European Monetary Fund, or the push towards targeted fiscal and social harmonization (an issue that is in fact evoked in the book, but too rapidly).¹⁰ On the institutional level, an earlier and more systematic involvement of national parliaments in the decision-making process (as already exists in some countries like Denmark) could be the beginning of a solution to the divide between the European and national arenas.¹¹ Moreover, convening the existing European Parliament in a format limited to the euro area alone, while granting it broader powers of control, would probably be a more realistic avenue for strengthening the political integration of the euro area, and hence for contributing to the reduction of the democratic deficit... but on the condition that the French and European media relay the Parliament’s activities. Here we touch on the crux of the challenge presented by the T-DEM: The democratization of Europe must involve Paris (and all national capitals) as much as Brussels or Strasbourg.

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¹⁰ These avenues for reform are evoked in many of the works mentioned in note 1.

¹¹ This demand was explicitly formulated in a letter emanating from 20 out of 28 national parliaments that was sent to the Commission in June 2016: Benjamin Fox, “National MPs demand more say in EU law-making,” *EU Observer*, 27 June 2016.