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*Editorial*

## THE POLITICAL STATE OF THE UNION

**I**F ECONOMIC MALAISE is now becoming a global phenomenon, with the slow-down in China and Japan, its most acute political manifestations are still concentrated in Europe. One reason for this is the severity of the slump in the Eurozone, where output and investment are still far below 2008 levels, unemployment is pegged at double digits and the combined effects of fiscal retrenchment and credit crunch have depressed demand still further, while surplus capital floods to London and Zurich. The fall in Italian and Spanish bond spreads has more to do with short-term central-bank liquidity than any improvement in underlying conditions: national debt levels are higher than ever, vulnerable to the least tremor of volatility; over-extended banks are exposed to emerging-market shocks; the German powerhouse is dependent on weakening external demand.

But Europe's political imbalances are now at least as stark as its economic ones. The financial crisis caught the EU's monetary and fiscal systems half-built, and emergency structures have been thrown up in the midst of the storm. Far from disintegrating, as catastrophists predicted, the EU has tightened and hardened, twisting its supra-national institutions to serve purposes undreamt of by their architects, while sharpening divisions between its citizens. Yet these asymmetries have a pre-history. Since the onset of the long downturn in the early seventies, the European polity has been subject to a set of structural torsions, encompassing three distinct dimensions: civic-democratic relations, between the rulers

and the ruled; inter-state relations, between the member countries; and geo-political relations, characterizing the bloc's external role. They have been structured in large part through European rulers' attempts to grapple with a series of shocks exogenous to the EU: the collapse of the Bretton Woods system in the early seventies, the fall of the Soviet bloc in the nineties, and the world financial crisis that exploded in 2008.

Each in turn served as a 'signal crisis', to adapt Giovanni Arrighi's term, ushering in a new political-economic configuration that would itself help to shape the subsequent shock: in the seventies and eighties, the neoliberal assault of capital against labour and the second Cold War; from the nineties, the era of globalization, financialization and the rise of China; since 2008, the new age of debt-logged stagnation, which doesn't yet have a name. What follows will trace the forms the EU's asymmetries have taken against this backdrop, arguing that the conventional solution to them—to bolster the position of the Europarliament—is a dead-end, if there is to be any hope of a re-democratization of the Union.<sup>1</sup>

### *First shocks*

The political scientist Walter Dean Burnham famously noted that, while the economic system of the United States had transformed itself with unparalleled energy, the American political system had hardly changed at all: the institutions designed by the eighteenth-century planter aristocracy were still in place. Much the same could be said of the EU. The architects of European integration were born in the age of the horse-drawn carriage: Monnet and Schuman in the 1880s, Adenauer in 1876. The institutions they designed—the Commission, an over-arching executive staffed by dedicated technocrats; the inter-state Council of Ministers; the supra-national court and parliamentary assembly—embodied a very 1950s view of a modern united Europe. They were built to oversee the partial but progressive pooling of sovereignty between three large states, France, Germany and Italy, whose populations were still in good part rural—peasant farmers made up nearly 40 per cent of the French electorate—and the three small Benelux countries. This strange institutional complex contained a finely balanced set of relations:

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- ▶ In geo-political terms, European integration was from the start a Cold War project supported by the State Department to strengthen the continent's capitalist economies against the Soviet threat. But for its founders it also embodied the hope of Europe as a third force, independent of both the US and the USSR. The 1957 Treaty of Rome was a direct counter to Suez and the assertion of US hegemony in the Middle East—Europe's founding exogenous shock.
  
- ▶ In terms of inter-state relations, the core Franco-German axis offered a balance between French military and diplomatic strength—France had a seat on the UN Security Council, an overseas empire, and would soon be an independent nuclear power—and German economic weight. Strategically, their interests were distinct but complementary: France wanted to tie its bigger neighbour down in a diplomatic compact, under its direction; Germany wanted to regain its status as an established world power and ensure French support for its eventual reunification. They were flanked respectively by Italy, usually aligned with France, and by the Benelux countries swimming in Germany's wake, staunch supporters of a supra-national framework that would offer them a larger diplomatic stage.
  
- ▶ In political-democratic terms the Treaty of Rome was the handiwork of the elites; European electorates were not consulted. But nor was there any strong popular opposition to what remained, in the high-growth fifties and sixties, a rather distant and nebulous construction, with the bland but unobjectionable goals of prosperity and stability.

The first shock to hit the Europe of the Six was Washington's revocation of the Bretton Woods compact and imposition of a fiat-dollar regime, against a background of intensifying economic competition in the seventies. The European response, still under French leadership, was to accelerate moves towards a unified monetary system, based on the Werner Plan, as a bulwark against international turbulence. To this end, Paris lifted the veto on British membership imposed by De Gaulle—who had warned that the UK would serve as a Trojan Horse for US interests—in the belief that the City of London would provide vital financial ballast for the new system. These changes—deeper economic integration, combined with enlargement—were complemented by a few tweaks to the EEC's institutional framework: regular summit meetings of the member-state governments in the European Council and direct

elections to the supra-national Parliament, whose seats had previously been filled by representatives from the national assemblies.

The seventies' monetary union foundered; the German economy powered ahead while the others weakened, and their currencies had to be devalued against the Deutschmark. But the conjuncture of the seventies and eighties altered the equilibria of the European Community in other, unintended ways. First, the entry of Britain brought Thatcher's forceful advocacy for financial deregulation and social-spending cuts. Backed by Mitterrand and Delors, this neo-liberal approach was written into the treaty framework with the 1986 Single European Act, albeit accompanied by a paper charter on labour rights. (The monetarist turn had a debilitating effect in France and, above all, Italy, whose national debt soared from 60 to 120 per cent of GDP in the eighties, as a result of the central bank's exorbitant interest rates; paying it down would put a long-term drag on the economy.) Second, with the overthrow of the dictatorships in Portugal, Greece and Spain in the seventies, the European Community discovered a new vocation: social engineering in its near-abroad, by building up capital-friendly centre-left parties—the Portuguese Socialists, PSOE, PASOK—often with money channelled through the Friedrich Ebert Foundation, and shepherding the new democracies into NATO. What were the outcomes for Europe's internal and external relations?

- ▶ In civic-democratic terms, the conjuncture of the seventies and eighties—the Europe of the Twelve—was rather successful. The European Community was still entirely run from above, by summit meetings and non-accountable supra-national institutions. But there was genuine popular support for European integration in Spain and successful referendums were held in the UK and Ireland; by the end of the eighties even the British Labour Party had turned pro-Europe. Living standards were generally rising; despite the free-market cast of the Single European Act, the project was seen as both socially liberal and mildly social democratic.
- ▶ In geo-political terms, the record was mixed. The attempt to create a European monetary system to compete with the dollar had failed. The second wave of enlargement was considered a success, and the European Community now had a population of 300 million, surpassing that of the US. But the project of Europe as a third force had been sapped by NATO expansion and the planting of US Cruise and

Pershing missiles in Britain and Germany; the Trojan Horse was very much inside the walls.

- ▶ In terms of inter-state equilibria, the Franco-German partnership seemed to be enjoying a golden age, with Delors leading a dynamic Commission and strong German economic growth. But in retrospect, French diplomatic leadership was already coming under pressure from Britain, which played a central role in drafting the 1986 treaty. Within France itself, the Gaullist outlook of political, intellectual and media elites was being displaced by an Atlantic liberalism that was alien to the tradition of independent strategic thought. Meanwhile the Deutschmark had emerged as Europe's currency anchor amid the monetary turmoil of the seventies; at the time of the Treaty of Rome the German economy had been just a sixth bigger than the French; by 1973, it was larger by half. France was therefore being squeezed both diplomatically, from the west, and economically, from the east. The balance between the two core states was beginning to change.

### *Turning point*

The second exogenous shock was the disintegration of the Soviet bloc in 1989. This offered a moment of refoundation for the European polity, which had been conceived and had flourished as a Western institution, within the framework of the Cold War. The most immediate question was the unification of Germany—how should it proceed, and would the new state be neutral, or a member of the NATO alliance? How would a united Germany alter the internal balance of the EU, and what relation would Europe have to the other ex-Comecon states?

The question of German unification would provide the key to the rest. The choice was between two paths. The first was the full democratic-constitutional process foreseen by Article 146 of Germany's Basic Law, with popular consultation and input from both sides. This approach was implicit in Helmut Kohl's Ten Points of November 1989, staking the first claim for unification and calling for a transitional phase of 'confederative structures' between the two Germanies. But Article 146 would mean throwing open the question of neutrality or NATO membership, on which the West German political leadership was divided. Oskar Lafontaine, the SPD candidate for Chancellor, was sceptical enough about the Atlantic Alliance to alarm Washington. Public opinion tilted towards neutrality;

the expansion of NATO to the GDR was seen—not without reason—as an act of Western aggression, of a piece with Reagan’s imposition of nuclear missiles.

International recognition for a united Germany lay in the hands of the four occupying powers: the US, Britain, France and the Soviet Union. Washington made NATO membership a condition for unification and swung its whole weight behind Kohl, who now called for fast-track accession by individual new *Länder* to the Federal Republic as it stood—i.e., inside NATO—under Article 23 of the Basic Law, an obscure mechanism which had been used for the accession of Saarland in the 1950s. This was backed by what seemed a glittering promise: a one-to-one exchange rate between the two German marks, which bought Kohl’s CDU a landslide in the March 1990 GDR elections but would also bankrupt East German industry. The Soviet leaders at first dug in their heels over the expansion of NATO, but the rock-bottom oil price was proving economically catastrophic for the USSR. Gorbachev threw in his hand in May 1990 and settled for a DM15bn loan in the autumn of 1990. The voices of Günter Grass and others, calling for a constituent-democratic process, were marginalized.

Meanwhile the French—and European—response to the prospect of an economically preponderant Germany was to agree to unification only if the sovereignty of the Bundesbank could be pooled within a new, supranational institution. Delors and his committee of central bankers had already drafted a fresh blueprint for a single currency. Unlike the seventies Werner Plan, which envisaged a collective fiscal policy with a strong social dimension, the Delors Plan reflected the Friedmanite mindset of the eighties and turned upon an inflation-targeting European Central Bank. The euro was portrayed as a brilliant technocratic solution, which would not only dilute German influence but oblige old and new member states alike to streamline their economies, since devaluation would no longer be an option. Many warned at the time that the single currency envisaged by Delors would not neutralize German predominance, but enthrone it. Mitterrand, however, thought it a great diplomatic triumph to get Kohl’s agreement to the Delors Plan in December 1989, formalized in the 1991 Maastricht Treaty. The French electorate and the political class would split down the middle on Maastricht—the referendum squeaked through, by 51 to 49 per cent. The Bundesbank duly exacted its price: the 1998 Stability and Growth Pact imposed strict

fiscal limits, although decisions on taxation, pensions, unemployment pay, health, education and social spending, considered sensitive enough to require electoral legitimation, were left in the hands of national governments. Creative accounting and the lavish credit of the globalization bubble helped to soften the impact of the ECB regime in the first decade of the euro's existence.

Relations with the ex-Comecon states followed the model of the GDR's absorption. Contrary to the French suggestion that Western and Eastern Europe should form a generic association, outside the EU framework, but in line with Anglo-American prescriptions, each state was individually recruited to the Union, which retained its existing form. There was no constitutional-democratic process, no refoundation of the European polity, despite the fact that its character had been radically altered: the Union now had a population of 500 million and possessed its own currency and central bank. In German terms, this was Article 23, not Article 146. The 1950s institutional complex was given a few more tweaks: voting weights in the European Council were adjusted, two new posts were created and an attempt was made to dress up the treaties as a constitution, with a high-sounding preamble—universal values, rule of law, equality, solidarity, peace.

The decisions taken at Maastricht took some years to roll out: the euro was fully operational from 2001; the incorporation of the first nine ex-Comecon states took place in 2004, followed by Romania and Bulgaria in 2007; the institutions were finally adjusted in the 2007 Lisbon Treaty, after the debacle of the Constitutional Treaty in 2005. How did they affect the asymmetries of the EU?

- ▶ In democratic terms, Maastricht brought a decisive widening of the gap between rulers and ruled. The architecture of the euro system was deliberately designed to be immune from electoral pressures. With the general shift to neoliberalism, the Maastricht era also saw the obliteration of any real policies for a 'social Europe'; levelling down replaced the levelling up of the Twelve, just as structural unemployment began to rise. Privatizations and shrinking social entitlements widened the gulf between 'above' and 'below'. Free-market competition was inscribed as a foundational principle in the 2004 Constitutional Treaty, one of the main reasons for its rejection in the 2005 referendums. The emergence of popular majorities against the post-Maastricht direction of

the EU in founder countries like France and the Netherlands signalled a new stage in this deterioration. They were brushed aside by Europe's rulers, as was the emergence of an organized Eurosceptic current in England. The Treaty, minus its preamble, was reaffirmed at Lisbon.

- ▶ In terms of inter-state relations, the Maastricht settlement formalized a further set of structural asymmetries. The establishment of the Eurozone bloc led to intensified integration in the core, combined with a centrifugal dynamic on the periphery, notably affecting Britain. Within the Eurozone, a new hierarchy of member states emerged in response to the constraints of the Stability Pact: powerful countries like Germany or France could break the fiscal rules with impunity in the recessions of 2001–02; weaker ones like Portugal were forced to comply. Third, expansion to the east abandoned the principle of member-state equality: the structural and regional funds made available by the Commission to the ex-Comecon countries were a pittance compared to what had flowed to Spain, Greece, Portugal and Ireland. Of the new entrants Poland, the principal target for German investment, got distinctly more lenient treatment than the rest.
  
- ▶ In geo-political terms, the end of the Cold War might have brought the dawning of genuine autonomy for the EU on the world stage. Instead, it brought a fuller subordination to US leadership under an expanded NATO, of which France now became a full member. The start of the Maastricht era did see a disastrous Austro-German initiative to encourage the secession of Slovenia and Croatia, while Washington was preoccupied in the Persian Gulf; but such ambitions were immediately blocked by the US once it woke up to what was happening. On questions of military and strategic importance, the effective chain of command ran from Washington to London, Paris or Berlin, in a classic hub-and-spokes structure. The 1999 NATO war on Yugoslavia was a deliberately exemplary operation in this respect: led by the US, with German, French and British forces and ideologues playing auxiliary roles. Supra-national EU diplomacy operated at a lower level, doing the groundwork for NATO through the Commission's now automatic meddling in its neighbours' political and economic affairs to make an ever-wider penumbra safe for capital accumulation.

The political imbalances of the European Union—even more than its economic ones—were set in place by the Maastricht compact. When the



question of Europe was thrown open by the end of the Cold War, the concern of the US—and the decision of the West European elites—was to avoid the risk of a democratic-constitutional moment. Washington asserted its superordinate status as NATO's leader, first at the heart of the German unification process, then over each new entrant. France, instead of insisting on a constitutional refoundation for the new Europe, bet on a technocratic fix through a supra-national monetary policy. Washington's position was entirely rational, in line with its own interests; the illusions of Mitterrand and Delors would help pave the way for the eclipse of France.

### *A crimped hegemony*

Maastricht set in place three corrosive asymmetries—skewed interstate relations, oligarchic forms of rule, geo-political subordination. The financial crisis has since given each a still more toxic twist. The upshot has been a landmark extension of autocratic control by the Commission and, behind and above this, an unprecedented centralization of extra-legal power in the office of the German Chancellor. In a polity that once prided itself on the rule of law, decision-making at the summit is both informalized and personalized. German ascendancy was not the outcome of a unilateral power grab, however. It was wrought, step by step, through the protracted political struggle that ensued after February 2010, when the chains of debt that ultimately led back to Wall Street broke at their weakest link, Greece. French bank shares plummeted as Athens's cooked books came to light, infuriating the German Finance Ministry. Obama's Treasury Secretary offered a characteristically crude summary of Berlin's position: 'We're going to teach the Greeks a lesson. They lied to us—they suck and they were profligate and took advantage of the whole thing and we're going to crush them.'<sup>2</sup> Geithner's response set the pattern for what followed: 'You can put your boot on the neck of those guys if that's what you want to do', he told Schäuble, but Berlin must also give the investors what they wanted: Germany had to underwrite a significant amount of the Greek state's debt, rather than write it down—the 'haircut' for Greece's creditors that Merkel and Schäuble wanted—and permit large-scale bond-buying by the ECB, contrary to core German monetary tenets.

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<sup>2</sup> See Peter Spiegel, 'Draghi's ECB management: the leaked Geithner files', FT Blog, 11 November 2014, drawing on raw interview transcripts for Geithner's memoir.

‘No guarantees without control’ was Merkel’s famous answer. The Troika—ECB, Commission and IMF functionaries—was given command of the Greek economy and a bail-out loan agreed, on punitive terms; the money going not to ‘the Greeks’, of course, but to French and German banks.<sup>3</sup> October 2010 saw an attempted Franco-German rebellion, as Ireland’s banks teetered on the brink. Merkel wanted to make debt restructuring a condition of future emergency loans; Sarkozy’s support meant that France would be spared German fiscal ‘control’. The American response was predictable—‘I was fucking apoplectic’, Geithner recalled—and the Irish bail-out went ahead without a creditor haircut; Lenihan’s treasonous commitment to underwrite every penny of City of London lending was made to stand.<sup>4</sup> From the end of 2010, France became Washington’s closest ally in the Eurozone crisis. The Sarkozy government played an aggressive role in forcing Greece and Italy into line; Hollande’s first act as President was to instruct the Greeks to vote against Syriza in June 2012. But the US Treasury campaign also had the backing of virtually the entire European political establishment, including the German Social Democrats and the international media, which portrayed the investor bail-out as a progressive, pro-European and mildly social-democratic move, and bemoaned Germany’s ‘reluctance’ to play the hegemon.

With debt restructuring off the table, the burden fell on ‘control’. As strikes and riots spread across the continent, every German gesture towards the financial markets—the Greek bail-out and ECB bond-buying in 2010; its trillion-euro Long-Term Refinancing Operation, from December 2011; the Outright Monetary Transactions programme in September 2012, two months after Draghi’s ‘whatever it takes’ speech—was matched, step for step, with an extension of autocratic executive power. The European Semester system (2010) obliged member states to submit annual budgets to the Commission for approval before they

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<sup>3</sup> The EU’s original €50bn bail-out was multiplied by ten on Geithner’s instructions, barked over a G7 conference call: ‘I interrupted before they could finish explaining their concept. “If you announce that you’ll be laughed at—you should be thinking more like €500bn.” After huddling for the weekend, the Europeans announced a €500bn rescue fund.’ This tallied with the Treasury Secretary’s broader assessment of the EU as ‘publicly castigating any American proposal, before eventually adopting a renamed and often mangled version of it.’ Timothy Geithner, *Stress Test: Reflections on Financial Crises*, London 2014, pp. 446, 475.

<sup>4</sup> See Spiegel, ‘Draghi’s ECB management’; Geithner, *Stress Test*, pp. 449–50.

could be discussed by national parliaments; the Euro Plus Pact (2011) committed them to reducing labour costs and raising productivity; the Fiscal Compact (2012) required them to inscribe Tea Party-style deficit limits in their national constitutions. Rafts of EU legislation—the Six Pack (2011) and the Two Pack (2013)—toughened the Commission’s economic ‘surveillance and enforcement’ regime.

In the course of this, Germany’s economic weight was leveraged into political primacy. The final deal—between Washington and the financial markets, on one side, and Berlin on the other—traded German guarantees and trillion-euro cash infusions to the banks for a decisive loss of economic sovereignty in the other Eurozone states; Zapatero, Berlusconi, Papandreou, Samaras, Coelho and Kenny were either forced to comply with German diktats on fiscal policy or to quit. Yet to date, this has been a strangely crimped hegemony. Though larger by a head than the other European powers, Germany has never been big enough for effortless primacy over them. Since the time of the Delian League, stable leadership of a federation of states has required a good third of the total’s demographic, economic and military weight. Germany has around 17 per cent of the EU’s population and GDP, and lags behind France and Britain in armaments. Its preponderance since 2011 rests, firstly, on coercive economic power, and secondly on a tacit recognition by the other states that the investors and the US Treasury see the German Chancellor as executive head of Europe. The other states can hardly contest her ascendancy, having backed the Washington–Wall Street campaign for Berlin to step up to its role. Germany is already starting to benefit from the accretive nature of power: Merkel is treated like the Empress of Europe on her rare visits to the other states and over the past year European rulers and opinion-makers have started turning to Berlin for decisions on purely political matters—Ukrainian policy; appointment of the Commission president—that have nothing to do with debt.

Yet Berlin is handicapped by domestic opposition to the ECB’s activities among substantial sections of the German governing class and media; it has attained the leadership of Europe by betraying historic national beliefs about ‘monetary financing’. Merkel’s Eurozone policies are also resented by workers whose economic position has deteriorated sharply since the SPD’s Thatcherite reforms in 2004; quantitative easing must proceed on tiptoe, lest German voters notice. The rise of *Alternative für Deutschland* is a particular irritant for Merkel, since the party noisily

broadcasts every last detail of what Frankfurt is up to. Within the Eurozone, German hegemony faces popular detestation of its instruments of rule—the Commission’s Economic Directorate and the Troika. Coercion is open here; consent is grudging. And while Berlin’s twenty-first century power is of a very different character to its earlier moments of imperial expansion—not least because this was not a sovereign decision on its part: Germany was pushed; sovereign determinacy ultimately lay across the Atlantic—its emissaries are nevertheless treading in their grandfathers’ footsteps in many parts of Europe, including Greece, where the great ‘No’ of 2011 was a direct echo of the Resistance. How has its preponderance affected the asymmetries of the EU?

- ▶ In terms of inter-state relations, the core Franco-German balance has been destroyed for good. Why has France offered so little opposition to what Ulrich Beck has dubbed ‘German Europe’? The conventional answer is that the French economy is too weighed down by statist legacies for the Elysée’s word to carry much authority; but the figures don’t bear this out. In many respects—public debt, household income, infrastructure, manufacturing—France is in better shape than the UK. French leadership in Europe depended on diplomatic and military advantage, not economic output; it is these that have now been undermined, both ideologically, with the growth of French Atlanticism, and geopolitically: the end of the Cold War collapsed much of the space for an independent French diplomacy, balancing between the two super-powers. Alignment with the US during the Eurozone crisis has sealed France’s fate. A telling moment came at the 2010 Deauville summit, with the failed Franco-German attempt to carve a line independent of Washington. Sarkozy, in the words of the Treasury Secretary, hoped ‘to get Merkel to back off her “fiscal union” stuff, which was very hard for him politically—it meant France was agreeing to come under the thumb of Germany on fiscal policy’.<sup>5</sup> Paris is currently waiting to hear whether its 2015 budget will satisfy Schäuble’s men in Brussels.
  
- ▶ On the geo-political front, Berlin has taken charge of Europe’s Ukrainian policy in a manner that would have been unthinkable only three years ago. Paris and London have been sidelined, and the Chancellor has established herself as coordinator of the West’s sanctions against Putin while Obama is occupied elsewhere. Since

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<sup>5</sup> Spiegel, ‘Draghi’s ECB management’.

Maastricht, the NATO–EU symbiosis has had a built-in expansionist logic; the Eurozone crisis has done nothing to cramp its ambitions. Commission policy has given free rein to the member states with the most aggressive Eastern policies—Sweden, Poland, the Baltic states—who have long been agitating for a NATO build-up on Russia’s border. When the brutality of Yanukovich’s police catalysed a mass anti-government protest in late 2013, it was automatic for the State Department to try to direct it, and for EU aides to be thick on the ground. The pecking order was evident in the placement of their candidates: the US favourite, Yatsenyuk, became Prime Minister, while Germany’s man Klitschko is merely Mayor of Kiev. It was the refusal of the Yatsenyuk government to negotiate a regional settlement in March 2014 that produced a parallel set of protests in the east, with backing from Russia which veered between defensiveness and adventurism. Western strategy has been equally contradictory. Russia is not the USSR but a capitalist state, which the US wants to pull into its orbit, while also blocking a Sino-Russian alliance. But it has consistently pushed for NATO–EU expansion; having trampled on the understandings of 1990 with Moscow, it has advanced across most of the ex-Soviet *glacis* and has been halted only at the Donbass Basin.

- ▶ In civic-democratic terms, the stark class politics of the bail-out/austerity regime has put a heavy strain on representative democracy in member states. Historic parties of government have been virtually destroyed in Ireland and Greece. National coalitions of Centre Left and Centre Right—‘government by cartel’, as Peter Mair called them—are becoming crisis Europe’s new norm.<sup>6</sup> In Greece, the New Democracy–PASOK coalition had the support of just 30 per cent of the total electorate in 2012, mainly pensioners, housewives and rural voters; the cities and the working-age population voted for Syriza. In France, popular disgust has driven an unprecedented surge in support for the National Front, which swept the stage in the 2014 European Parliament election and is likely to propel Marine Le Pen into the second round of the presidentials in 2017. Nearly two-thirds of Germans, Austrians and Dutch expressed ‘distrust’ of the EU in last year’s Eurobarometer polls. Across the continent, the transformation in attitudes towards the Union since the eighties has been dramatic. One upshot of this widespread disaffection is institutional

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<sup>6</sup> Peter Mair, *Ruling the Void*, London and New York 2013, p. 68.

deadlock: Europe's leaders dare not risk popular consultation on any new treaties.

### *The cure?*

Defenders of the post-Maastricht Union have a very simple answer to these imbalances: the European Parliament. Every extension of Commission control has been accompanied by nods towards a compensating extension of the Parliament's powers of 'co-decision'. What does this mean in practice? Its objective, as the term suggests, is consensus—three-way agreement between the Commission, which alone can initiate European directives and regulations, the Parliament, which can amend them, and the Council, the inter-state body which has the ultimate power of decision. The Parliament thus has a choice between being consensual—offering acceptable amendments—or being ignored.

The nitty-gritty of co-decision is managed by the leaders of the political groups. The two largest—the centre-right European People's Party and centre-left Socialists and Democrats—established themselves in the first decades of the Parliament. With the advent of direct elections in 1979, they took the neophyte MEPs in hand. In the eighties Egon Klepsch, head of the EPP, and Rudi Arndt, leader of the Social Democrats, were both veteran politicians of the Bonn Republic—the first an associate of Erhard's, the second a mayor of Frankfurt—and ran a *Große Koalition*, oiled by long-standing familiarity with the minutiae of Europarlimentary procedures and the commanding positions that German delegations held within each group.<sup>7</sup> Given the scale of their joint majority, anything the two leaderships agreed would be automatically voted through. The conference of the group leaders, together with their staffs and those of the Secretariat, thus became the real nerve centre of the Parliament, brokering appointments to the two dozen committees—fisheries, farming, competition, finance, economics and so forth—that do the actual work of drafting amendments to the Commission's directives, the target

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<sup>7</sup> Seats are allocated per country in terms of population size, as with the American House of Representatives. Germany, with a population of 80m, gets 96 seats; France, Britain and Italy, with over 60m, get 70+ seats; and so on down to the smallest, Luxembourg and Malta, which get 6 seats. The result is that the big-party delegations from the four largest countries—CDU, SPD; UMP, Parti socialiste; Tories, Labour; Forza Italia, Partito Democratico—usually dominate their respective groups.

of large-scale lobbying by corporations and (to a much lesser extent) trade unions and NGOs. Once the committees have agreed the wording for an amendment, it is almost guaranteed to be adopted by Parliament. The party bosses then present the amendment to representatives of the Commission and the Council, with the aim of reaching a final agreement there. The consensual dynamic of co-decision is reinforced by etiquette: dragging out meetings—the only opposition tactic available—is considered bad form.

When ‘outsider’ forces were elected—the left and the Greens in the eighties, Euro-sceptics in the nineties—they were offered funds, offices and support staff to join the party-group system at lower levels, proportionate to their size. The rebels were smoothly absorbed into the Parliament’s mechanisms for neutralization and depoliticization; Gramsci would have smiled. The limits to non-consensual activity were illustrated in the nineties when the Centre Left temporarily enjoyed a 60-seat lead over the EPP. Group leader Jean-Pierre Cot (Parti socialiste), followed from 1994 by Pauline Green (Labour), tried to mobilize the Parliament’s ‘progressive majority’ in favour of a social Europe and workers’ rights. They made no headway in tangible terms against the prevailing, anti-labour trend of the Maastricht convergence criteria, and the Labour and SPD delegations pulled back once their parties entered government at home and abandoned ‘social Europe’ agendas. Green’s attempts to defend corrupt centre-left Commissioners backfired, helping to bring about the mass resignation of the disgraced Santer Commission. In the 1999 elections the EPP improved its position, and by 2004 the *Große Koalition* was reinstalled—the best way to ensure the assembly was ‘governable’, in the revealing phrase of the Parliament’s chief functionary.<sup>8</sup>

Across Europe, national legislatures have become increasingly immune to pressure from below, as the major parties’ programmes have grown almost indistinguishable. But the Europarliament is further advanced than any of them in terms of non-accountability and absorption into executive-administrative power. Accountability here only operates upwards—the need to achieve a consensus with the Commission and the Council, if any amendment is to have effect—never downwards. The political-group leaders never have to answer to party memberships

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<sup>8</sup> See Julian Priestley and Stephen Clark, *Europe’s Parliament: People, Places, Politics*, London 2012, p. 103.

at annual conferences; they are non-recallable, their seats effectively guaranteed. The model is that of nineteenth-century Parties of Notables, rather than twentieth-century mass parties. The Parliament's role during the Eurozone crisis was exemplary in this regard: the *Große Koalition* leaders, Joseph Daul and Martin Schulz, orchestrated Parliament's assent to every extension of autocratic power, fast-tracking some of the most egregious measures. Once the outcome was assured, they posed as people's champions by tightening up one or two of the loopholes in the Commission's directive to limit bankers' bonuses, and were rewarded with admiring coverage in the European press.

### *Power grab*

The Europarlament is now a substantial institutional entity. It occupies over a million square metres in Brussels and employs some 10,000 officials, aides and translators, in addition to its 751 MEPs. It has accumulated significant bureaucratic weight and, by the logic of institution-building, it fights for more turf, better seating and a greater role within the EU's dominant structures; its Constitutional Affairs committee, with a large staff of seasoned officials, is dedicated to this purpose—though tellingly, there has never been a mass, extra-parliamentary campaign to back it up. Europe's autocratic lurch since the crisis has come as a golden opportunity for the Parliament and its supporters, who claim that it alone can provide compensatory legitimation for the behaviour of the Troika, the hardening of the Commission's power and the entirely extra-constitutional role of the German Chancellor.

The political logic of this bid for influence was on display in the 2014 campaign to get Jean-Claude Juncker, the disgraced former Prime Minister of Luxembourg, appointed as President of the Commission. This was riding roughshod over European law—the treaties are clear that the Council should select the President, for the Parliament to endorse or veto. As part of their push for influence the Parliament's party-group leaders insisted that they would choose *Spitzenkandidaten* for the presidency; the candidate of the group that won most votes in the 2014 elections would be considered the rightful head of the Commission. Though the leaders of the Centre Left (Schulz), Liberals (Guy Verhofstadt) and Greens (Dany Cohn-Bendit) were noisiest about the *Spitzenkandidaten* system, it was obvious that the EPP would get the largest popular vote—around 12 per cent of the total European electorate, as it turned out.



In their choice of candidate, the EPP leaders presumably intended to reward an old friend. Juncker, chair of the Eurozone group during the crisis and an archetypal practitioner of EU crony politics, had for nearly two decades been Prime Minister of the Grand Duchy of Luxembourg, notorious for its laxly regulated financial industry and ‘comfort letters’ relieving multinationals of corporation tax. Juncker was finally forced to resign in July 2013 for having covered up the scandalous doings of SREL, the Duchy’s intelligence agency—illegal surveillance, leaking of confidential information for commercial gain, systematic corruption and Gladio-style skullduggery, including a series of bombings of public buildings in the mid-eighties that were intended to heighten political tension and create a ‘red scare’. Responsibility for the explosions apparently led back to the royal family, the rotten heart of this picturesque statelet. SREL had a recording from the early 2000s of Juncker in conversation with Grand Duke Henri, discussing the involvement of the Grand Duke’s brother, Prince Jean, in the bombing campaign. In early 2013 a Luxembourgish parliamentary investigation, in parallel with a long-delayed trial of junior police officers over the *Bommeleeër* scandal, brought much of this to light.<sup>9</sup> In March 2014 the EPP caucus meeting in Dublin had no hesitation in nominating Juncker for Commission President.

There was still some uncertainty after the May 2014 elections about whether Parliament would succeed in imposing its candidate, in defiance of treaty law. But there was no doubt at all about who would decide the matter. In the new, informal polity of post-2011 Europe, it was naturally assumed that only one person—the German Chancellor—could rule on whether the EPP’s decrepit *Spitzer Kandidat* would be appointed to Brussels’ top job. There was scarcely a murmur about this in the European media; it was treated as entirely acceptable that Merkel’s word would amount to Europe’s law. In the event, her decision was not even prompted by German national interests—Germany wants to keep Britain in the EU, as a fellow conservative force, while Juncker’s appointment was a gift to UK Eurosceptics—but by the CDU’s domestic position. At home, a *Große Koalition* of the mind between the Springer Press, the SPD and the last representative of the Frankfurt School, Jürgen Habermas, declared that it would be scandalous if Juncker failed to get

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<sup>9</sup> *Bommeleeër*: local parlance for bomber. For the whole story, see Luxpol: ‘What led to early elections in Luxembourg?’, 17 July 2013, luxpol.wordpress.com.

the job—Habermas exclaiming that it would be ‘a bullet to the heart of the European project’ if this malodorous fixer was not made President.<sup>10</sup> After canvassing opinion, Merkel adjusted her line to reap the benefit of the Springer campaign; Juncker was duly anointed. Shortly afterwards, a trove of documents was released detailing ‘special’ Luxembourg tax breaks worth billions of dollars for transnational companies operating in the EU, on Juncker’s watch. Unflinchingly, Parliament’s majority passed a vote of confidence in him. As Schulz, now chief of the assembly, had put it earlier: ‘He’s *our* president.’

It defies political logic to suggest that this extra-legal annexation of powers by the Parliament amounts to a democratization. Juncker is not accountable to the European electorate, nor even to the 12 per cent of it that voted for candidates of the Centre Right. He is *de facto* answerable to the figure who actually appointed him, the German Chancellor. The distribution of posts in his new Commission, and the unilateral creation of special vice presidents, all of them hardline pro-austerity figures like the German Finance Minister, bear this out. This was the predictable outcome of the *Spitzenkandidaten* process. The Left group in the Parliament should have known better than to lend it legitimacy by going along with it, constructing an ‘Alexis Tsipras list’. It is one thing to participate in the electoral process and to make the most of possibilities for transnational solidarity and debate. It is quite another to lend credence to the notion that Parliament’s egoistic pretensions and turf wars make the EU more democratic. The business of the Europarliament is co-decision. It cannot, structurally, supply the one essential component a functioning democracy requires: opposition.

A genuine democratization of Europe, Wolfgang Streeck argues in the conclusion to *Buying Time*, would be obliged to take account of the manifold, historically rooted differences between and among its peoples:

No European democracy can develop without federal subdivision and extensive rights of local autonomy, without group rights protecting Europe’s many identities and spatially based communities . . . a European constitution would have to find ways of allowing for the very different interests of countries such as Bulgaria and the Netherlands, as well as addressing the

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<sup>10</sup> Jürgen Habermas, ‘Europa wird direkt ins Herz getroffen’, FAZ, 29 May 2014.

unsolved problems of incomplete nation-states like Spain or Italy, whose internal diversity of identity and interest would have to be accommodated . . . a democratic Europe can come about only if these differences are recognized, in the form of autonomy rights.<sup>11</sup>

Central to any heterogeneous polity are its constitutional rules governing finance, Streeck goes on. Extensive federal subdivisions would be needed to balance regional autonomy with collective solidarity and determine what fiscal claims each part should have on the whole. This perspective is the diametrical opposite to one that would stretch Europe's archaic political institutions into a unitary and autocratic continental government, with an unaccountable co-decision assembly serving as a democratic façade.

### *Prospects*

What are the implications of Europe's torsions—inter-state, geo-political, democratic—for the years ahead? They will operate against the dismal social and political background of the Eurozone crisis: high unemployment and depleted welfare systems; resentful electorates; institutional deadlock; states paralysed by debt, with interest payments swallowing a large part of their budgets. The brittle nature of German hegemony will be put to multiple tests.

- ▶ In terms of inter-state relations, the limits of German leadership are more likely to be set by fudge and foot-dragging than outright rebellion, though Merkel's attempt to force all Eurozone governments to sign a 'contract' outlining their economic goals, the latest step towards fiscal union, was voted down last spring. (Like 'reform', which once signified improvements for the majority and now means reducing labour costs, 'union' in the European context no longer implies a voluntary association for mutual solidarity but the imposition of hard-line ordo-liberal controls on countries' social spending.) France and Italy are intent on saving their own budgets and are in no mood to lead an anti-German alliance. The only potential wild card would be a mass revolt—or Le Pen.

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<sup>11</sup> Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*, London and New York 2014, pp. 179–80.

- ▶ In civic-democratic terms, though Eurozone governments saw off the first round of mass mobilizations against the new order, there are good reasons to hope that there will be more on the way—signalled, perhaps, by Ireland’s nationwide wave of protests against water charges. For the disinherited generations, at once educated and underemployed, the social and economic crisis has accelerated the hollowing out of representative democracy in Europe and the programmatic homogenization of the establishment parties. New political organizations of varying hues have exploded into the vacuum. Electoral battles may see the Berlin consensus begin to fray from below. In Spain, the complicit silence that long governed political-business dealings has broken down under financial pressure. Tit-for-tat leaks about embezzlement and corruption have implicated a swathe of top figures, starting with Rajoy and the royal family, on a scale reminiscent of Italy’s Tangentopoli scandals in the nineties. Podemos, the newly founded party of the *indignados*, is polling over 20 per cent, ahead of the PSOE, and has built local ‘circles’ all over the country. With an election looming, there is talk of a PP–PSOE *Große Koalition* to fend it off. Tension is highest in Greece, where an election could be triggered in February 2015 if the coalition government can’t muster the 180 votes it needs to install the next president. Current polls give Syriza a clear lead—33 per cent, with New Democracy on 26 and PASOK on 5 per cent. Syriza’s policy has not yet been fully formulated in public, but its broad outlines involve negotiations with the Eurozone leadership—that is, Berlin—over debt restructuring and a sustainable development plan, while ruling out unilateral defaults or gaping deficits. Concretely, as Tsipras suggested in a speech in Thessaloniki in September, this could involve launching emergency food and health-care programmes, restoring pre-2010 minimum-wage and pension levels, and abrogating the regressive new taxes. From its first day in office a Syriza government would confront financial-market strikes and an iron front from Berlin, Frankfurt and Brussels—no doubt Paris, too. It risks facing a choice between mobilizing for a confrontation over its demands, or surrender and retreat—to the benefit of Golden Dawn.
  
- ▶ In geo-political terms, German ascendancy has so far made little substantive difference to EU–NATO policies; but it may be changing Germany itself. The Atlanticist press has long encouraged the FRG to become a ‘normal’ nation—that is, able and willing to inflict the

appropriate punishment on nominated opponents of the ruling order. The general assumption in the West is that Germany is a force for moderation vis-à-vis Russia. Yet, in line with Washington, Merkel has been taking an increasingly hawkish stance. One of her foreign-policy spokesmen has said that good relations with Russia could not be restored ‘without dramatic political changes in Moscow’.<sup>12</sup> While France and Germany had called in 2008 for Ukraine and Georgia’s NATO entry to be delayed, the Chancellor is now proclaiming that the EU ‘will not yield to Moscow’— ‘and that doesn’t just apply to Ukraine. It applies to Moldova, it applies to Georgia. If the situation continues, we’ll have to ask about Serbia, we’ll have to ask about the western Balkan countries.’<sup>13</sup> This is the new German Europe—the very outcome that integration was designed to prevent.

18 November 2014

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<sup>12</sup> Stefan Wagstyl, ‘German diplomacy: Dominant by default’, FT, 5 August 2014.

<sup>13</sup> ‘Putin’s Reach: Merkel concerned about Russian influence in the Balkans’, *Der Spiegel*, 17 November 2014.