

# CAN EUROPE ESCAPE ITS CRISIS WITHOUT TURNING INTO AN IRON CAGE?

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## ON THE MODEST PROPOSAL'S POLITICAL, CONSTITUTIONAL AND ETHICAL DIMENSIONS



[Image: Rembrandt's 'The Abduction of Europa']

This article is a sequel to an earlier piece entitled '[Why is Europe not coming together in response to the Euro Crisis?](#)' and is best read in conjunction with this article (co-authored with James K. Galbraith) that compares our [Modest Proposal for Resolving the Euro Crisis](#) with alternative proposals for defeating the Euro Crisis. In what follows below, I argue that, as things stand, 'political union', 'more Europe', calls for a 'Eurozone economic government', or for a 'Euro Chamber' within the European Parliament, are *not* preludes to a democratic federal Europe. Instead, they are steps towards a postmodern European feudalism that is, in fact, the very antithesis of a democratic federation. The article concludes with an analysis of why our [Modest Proposal](#) offers Europe a rare chance to prevent the creation of a European iron cage in which what is left of our democracies must suffocate. Unlike all moves that are currently heralded as 'baby-steps' towards federalism, the [Modest Proposal](#)'s emphasis on 'Europeanised Decentralisation' is perhaps Europe's best shot at a future consistent with the basic principles of a constitutional democracy.

## INTRODUCTION: EUROPE'S AUSTERITY UNION AT A CROSSROADS

In a previous article I argued that Federation was never truly the 'logical' conclusion of the Eurozone's formation. There were, of course, many, including President Mitterrand and Chancellor Kohl, who had surreptitiously hoped that the euro's inevitable crisis, at some point, would force our politicians to concede to the creation of a federal constitution and a federal government to be elected on the one-person-one-vote principle. Alas, they were badly mistaken: a democratic United States of Europe was, and remains, inimical to the European Union's DNA.

The reason why the Eurozone is experiencing its never-ending existentialist crisis was, at first, the lack of an Extra-market Surplus Recycling Mechanism (see [here](#)) and, more importantly perhaps, its political commitment to *not* creating such a mechanism once the crisis had erupted. And the reason why extra-market (that is, political) surplus recycling has never been on the cards, before or after the crisis, was that the EU's institutional design was created to preclude, rather than to pave the ground toward it.

Why preclude a political, extra-market, for recycling surpluses which was, as the United States realised in the 1940s, essential to maintaining an asymmetric monetary union between high and low capital intensity economies? Because European elites assumed that the United States would be playing this stabilising role on behalf of Europe *ad infinitum* and, therefore, that Europe could forever freeload on the US-directed surplus recycling. Thus, the Eurozone's 'constitutional' foundation, or what I refer to as the *Principle of Perfectly Separable Debts and Banking Sectors*.

As long as the United States did play that stabilising role globally (that is, until the Fall of 2008), the Eurozone worked reasonably well, at least on the surface. With no need to centralise fiscal policies, the European Union could legitimise the lack of a European *demos* to keep in check its (a) Brussels-based technocracy and (b) a law-making process unconstrained by anything resembling a sovereign Parliament. With national parliaments supposedly exercising democratic control over fiscal policy, the EU's institutions worked in the interests of an unholy alliance between a Central European heavy industry cartel, high output (mainly French) farmers, and a burgeoning financial sector.

However, as soon as the United States lost its capacity to stabilise the global economy through the operation of its twin deficits and of Wall Street, the Eurozone began to unravel.<sup>[1]</sup> At that critical juncture, there was no alternative to the centralisation of the management of public debt and, thus, of fiscal policies. But how could fiscal policies be centralised when they remained, in principle, in the remit of national parliaments and governments that were, essentially, bankrupt and in a death embrace with insolvent banking sectors? The answer Europe opted for was: By means of large loans to the insolvent nations which, to pass through the Parliaments of the surplus countries, had to come attached with punitive, austerian strings.

Thus, centralisation of Eurozonal fiscal policy took the form of an Austerity Union that magnified the crisis, caused it almost to dissolve the euro and, finally, when the ECB acted in the summer of 2012 to save the common currency, transferred the crisis from the money markets to the realm of Europe's real economy. As the fault lines between the surplus and the deficit member-states deepen, causing the whole edifice to forfeit coherence and to slide into fragmentation, even the most ardent defenders of the original European design now advocate that, to save it, there is a need for a political union. Tragically, many commit the cardinal error of mistaking talk of a political union as a move toward a federal democracy.

## WHILE THE EURO CRISIS CONTINUES, 'POLITICAL UNION' WILL DELIVER INCOMPETENT DESPOTISM

"Ideally, Europe would be a political union... Consider two proposals. Why not have a European budget commissioner with powers to reject national budgets if they do not correspond to the rules we jointly agreed?... We also favour a 'Eurozone parliament' comprising the MEPs of Eurozone countries to strengthen the democratic legitimacy of decisions affecting the single currency bloc."

The above lines were penned by two influential German politicians who were thought of as 'true blue' federalists in the early 1990s, courtesy of joint articles arguing in favour of political union: Karl Lamers, the CDU's former foreign

affairs chief, and Wolfgang Schäuble, Germany's current finance minister.

In their recent article ([Financial Times](#), 1<sup>st</sup> September 2014), Lamers and Schäuble return to their favourite theme, once more advocating political union and offering two examples of what they mean by the term in the present moment of the Eurozone's history. It is interesting that they chose to publish their fresh piece, entitled 'More integration is still the right goal for Europe', as the debate on the Eurozone's failure to shake off the Euro Crisis flared up again following the ECB President's Jackson Hole speech, in which Mr Draghi acknowledged the deflationary pressures upon Europe's common currency area and the role of universal austerity in fermenting them.

Looking carefully at their two proposals, one realises that, indeed, their idea of political union is spectacularly at odds with the notion of a federal democracy; indeed with constitutional democracy of any kind. This is not, I submit, the result of carelessness on the authors' part but, rather, the logical and inevitable result of further European integration along the lines of the original EU design. Let's take the two proposals one at a time.

## **Lamers&Schäuble, Proposal No.1: A fiscal overlord to end national sovereignty over budgets**

The idea that rules that agreed to by all Eurozone member-states ought to be centrally policed by Brussels is all-powerful and to be 'crossed' only by those who wish to incur the collective wrath of Germany's political establishment (as a certain French minister recently found out the hard way). However, Wolfgang Schäuble is possibly the only German politician to have taken this idea to its logical, philosophical even, conclusion. Demonstrating remarkable consistency over the years, Dr Schäuble is now repeating, perhaps somewhat more mildly, views that he outlined twenty years ago. For instance, on 15<sup>th</sup> June 1995, in *Die Welt*, he took a swipe at the notion of national sovereignty as non-sensical, pouring scorn over the "academic debate over whether Europe is a federation or an alliance of states".

If Dr Schäuble was right then, that there is no noteworthy difference between a federation and an 'alliance of states', then the idea that the Eurozone could establish a fiscal overlord, with the power to veto national budgets, makes perfect sense now. The appointment of such a person to a position of great central power would, indeed, signal closer political union and a move toward federation. But, is there no difference between a federation and an 'alliance of states' or the 'Europe of Nations'? I submit that there is. And it is the difference between democracy and despotism.

## **Back to basics, Part 1: Sovereignty as democracy's bedrock**

One often forgotten fact about liberal democracies is that a constitution's legitimacy is determined not by its legal content but by politics. As Tony Benn suggested once, we should constantly ask those who govern us five questions: "What power have you got? Where did you get it from? In whose interests do you exercise it? To whom are you accountable? And how can we get rid of you?" Indeed, ever since Sophocles' *Antigone*, we have known that all good women and men have a duty to violate laws not founded on political and moral legitimacy. Political authority is the cement that keeps legislation together and the sovereignty of the body politic that engenders the legislation is its foundation. To claim, as Dr Schäuble did in 1995, and implies again in 2014, that it makes no difference whether the Eurozone is an alliance of sovereign states or a federal state is purposely to ignore that the latter can *create* political authority whereas the former cannot.

An 'alliance of states' can, of course, come to mutually beneficial arrangements against a common aggressor (e.g. in the context of a defensive military alliance), or in agreeing to common industry standards, or even effect a free trade zone. But, such an alliance of sovereign states can never legitimately create an overlord with the right to strike down the states' sovereignty, since there is no collective, alliance-wide sovereignty from which to draw the necessary political authority to do so. This is why the difference between a federation and an 'alliance of states' matters hugely. For while a federation replaces the sovereignty forfeited at the national or state level with a new-fangled sovereignty at the unitary, federal level, centralising power within an 'alliance of states' is, by definition, illegitimate, and lacks any sovereign body politic that can anoint it.

One may retort that the European Union's democratic credentials are beyond reproach, as the Commission is appointed by elected heads of state who also form the European Council that legislates on behalf of Dr Schäuble's 'alliance of states' or Jean Monnet's 'Europe of Nations'. Moreover, there is the European Parliament which has the power to throw out parts of this legislation. To round off this rejoinder, it is often added that sovereignty is, in any case, highly over-rated and profoundly meaningless in an inter-dependent, globalised world. In that kind of global village, the French, the Germans, indeed the Greeks, all Europeans, enjoy more sovereignty when they pool their national sovereignties together into one, common, European realm. And if this means that we institute a fiscal Leviathan, with a remit to keep us all in fiscal awe, and in line with the Stability Pact, so be it.

The above retort demonstrates how terribly Western European appreciation of the founding principles of liberal democracy has been depleted. The appalling error of such a defence is to confuse political authority with power. A parliament is sovereign, even if it is not particularly powerful, when it can dismiss the executive for having failed to fulfil the tasks assigned to it within the constraints of whatever power that the executive, and the Parliament, possess. Nothing like this exists today in the Eurozone. While members of the European Council are elected officials answerable theoretically to national parliaments, the Council itself is not answerable to *any* Parliament; indeed, to no body politic whatsoever. To claim that Iceland's sovereignty is obsolete because it is too small to have much power is like arguing that a weak person with next to no political clout might as well give up her political rights.

To put it slightly differently, small sovereign nations, like Iceland, have choices to make within the broader constraints created for them by nature and by the rest of humanity. However limited these choices, Iceland's body politic retains *absolute* authority to hold their elected officials accountable for the decisions they have reached within the nation's exogenous constraints and to strike down every piece of legislation that it has decided upon in the past. In sharp contrast, the Eurozone's finance ministers often return from Brussels, or wherever it is that the Eurogroup and Ecofin has just met, and decry the decisions that they have just signed up to, using the standard excuse that "it was the best we could negotiate" or that "I was outvoted at Council"

During the Euro Crisis, this lacuna at the centre of Europe grew hideously larger. Smaller member-state representatives notoriously argued, upon their return back home, that they disagreed with the Council's decision but did not feel empowered to vote against the larger nations. At the same time, it was not uncommon for representatives of larger, powerful states also to blame the rest for bad decisions that they had consented to, on the basis that they had acted under duress, so as not to undermine European unity. So, even if a majority of Council members rejected the logic of the legislation Council had passed, the 'story' ended there as European Union law takes precedence over national laws. No forum or assembly of European citizens (including the so-called European Parliament) could, after that point, strike down these decisions or censure those who had reached them. In this sense, while small, powerless Iceland continues to enjoy full sovereignty, (the, by comparison,) omnipotent European Union has been stripped of *all* forms of sovereignty. Funnily enough, the Eurozone is a mighty macro-economy with a Central Bank, but no government and or body politic, and utterly lacking the "we, the people" who can uniquely provide the necessary bedrock of political legitimacy.

In conclusion, in the absence of a federation that will transfer sovereignty from national to a federal level, the EU's legislative mechanism has always pushed legitimacy to breaking point. A fiscal Eurozone overlord, with the formal authority to wipe the floor clean the national parliaments' authority over taxation and government expenditure, would signal the end of the pretence that the European Union remains in the liberal democratic tradition. That Dr Schäuble does not seem to understand that, and the fact that most commentators fail to recognise this failure of comprehension, is a hideous testimony to the State of the Union.

## **Lamers&Schäuble, Proposal No. 2: A Euro Chamber within the European Parliament**

Would the creation of a Euro Chamber within the European Parliament not address the aforementioned point? Drs Lamers and Schäuble suggest that it ought to comprise MEPs from the Eurozone member-states.[2] Other proponents of 'more Europe' have suggested that the Euro Chamber should consist of members of national parliaments in proportion to their country's population size, so as to extend the existing sovereignty of national parliaments over fiscal matters to the Euro Chamber and, ultimately, to legitimise the Eurozone's fiscal overlord.[3]

The European Parliament is the only EU institution that remotely resembles a federal body. Elected directly in pan-European elections, it seems, to the untrained eye, equivalent to the US House of Representatives or to Britain's House of Commons. However, it only takes a slightly closer look to notice that the European Parliament is nothing like any parliament consistent with liberal democracy. In the latter, all legislative power is vested in the parliament or congress, with the executive-legislature demarcation clearly marked. In the European Union the main legislative organ remains the Council of Ministers which meets and votes behind closed doors and is composed not of legislators but of members of the member-states'... executives.

These revolving doors between legislative power at the centre and executive power in the member-states was designed, purposely, in order to have laws passed without any serious scrutiny by any sovereign Parliament that is vested with the authority of the final arbiter. While the European Parliament has acquired, over the years, new powers to legislate alongside the Council, it is still not a proper Parliament. The fact that it shares legislative power with the European Council and, remarkably, lacks the authority to initiate any legislation, means that it lacks the political authority that could legitimise the transfer of sovereignty from the national level to any Euro Chamber within the European Parliament. Such a transfer would be the equivalent of transporting water from a local pond to a far away central reservoir using a sieve.

Clearly, Drs Lamers and Schäuble like the idea of a Euro Chamber because they assume that it would legitimise the actions and authority of their fiscal overlord; in their own words, it would be the "democratic legitimacy of decisions affecting the single currency bloc". The only manner in which one can agree with them is by deleting from one's faculties all understanding of what parliaments are meant to be and do.

## **Back to basics, Part 2: Democracy is about minimising the executive's discretionary power**

This section ought to be superfluous. The fact that it is not reflects badly on a Europe that seems to have forgotten the minimum requirements for a functioning liberal democracy. So, here we are, stating what Europeans once upon a time knew well, namely that:

1. The chief purpose of law is to create a level playing field between the weak and the powerful. While a level playing field does not preclude exploitation and serious violations of freedom, it is what the least the rule of law must provide
2. To reduce all human interaction to power relations is the opposite of the rule of law and a gateway to despotism
3. To prevent the reduction of human interaction to power relations, and to keep despotism at bay, the executive's discretionary power must be minimised by a sovereign body politic with the means to minimise it.

Consider the Lamers&Schäuble twin proposals from this perspective. The fiscal overlord they propose is a type of 'digital' Leviathan whose remit is to say 'Yes' or 'No' to a budget submitted to her office by a member-state. This Leviathan will thus have the right to scrap, and 'return to sender', government budgets that violate the Eurozone's (mainly Maastricht sourced) rules; e.g. Italy or France would now be instructed to re-write their 2015 budget, and introduce further spending cuts, or tax hikes, in view of the 3% deficit rule.

But how is this different to the 'excessive deficit' procedures already in place at the EU level? Why will the institution of an official overlord, a fiscal Leviathan, make a difference unless the latter is vested with discretionary power? Discretionary power to do what? Let's take our example further.

When in 2009 the Irish twin bubbles (of real estate and banking) burst, the Irish government was forced by the ECB to take onto the state's books private debt, and demand of taxpayers that they borrow mountains of money to repay it. The result was that the budget deficit, and public debt, skyrocketed violating the Eurozone's 'rules' in the process. Similarly in Spain, whose government was nurturing a pre-crisis debt-to-GDP ratio lower than Germany's, the crisis caused the government budget deficit and debt to rise above the Maastricht limits. What would the Lamers&Schäuble Leviathan have done at that point? Send the Spanish government's budget back to

Madrid? For what purpose?

The fact is that there was no level of austerity that could have driven Dublin's or Madrid's deficit under 3% of GDP without demolishing their national economies and leading Ireland and Spain to a hard default on their public debt a year later. Similarly today with Italy and France: there exists no level of austerity that can push their deficits 'within the rules' without, in the process, wrecking the Eurozone in the medium term.

In other words, if the fiscal Leviathan is to play *any* substantive role, she must be able to say a great deal more than 'Nein'. In short, she cannot be... 'digital' (i.e. 1 or 0, Yes or No) and must issue 'analogue' replies to the state budgets submitted to her. In fact, she must be at liberty to propose to national governments *alternative budgets that, nonetheless, still break the agreed to rules*. Of a variety of rule breaking budgets, some of which are favoured by national governments and one by the Leviathan, it must be the Leviathan's that prevails. If not, what is the point of her existence?

But then what should happen if the national government resists implementing the Leviathan's preferred budget and turns down her overtures for reasons that the Leviathan deems inappropriate or unconvincing? Surely Lamers&Schäuble must propose that the Leviathan be equipped with the power to steer the final budget in particular ways that in no way flow uniquely and naturally from the existing, agreed upon, rules. Massive discretionary power will, therefore, be created at Europe's centre *de facto*, even if denied *de jure*.

Looking back to 2008 once again, let's consider what would have happened had the Lamers&Schäuble proposal been instituted at the Eurozone's outset. Our fiscal Leviathan would have been in place staying utterly inactive before the Euro Crisis (at least in the case of the Irish and Spanish budgets which were well within the 'rules' year-in-year-out) but then would swing furiously into action once the Euro Crisis hit, exercising maximal discretionary power across the continent. Would she have displayed the same penchant for interventionism in the case of Ireland as she would have in the case of the German government which also flouted, post-2008, both the deficit and debt Maastricht limits?

Whatever the answer, it is clear that, in view of points 1,2&3 above, the Euro Crisis would have:

- propelled the Eurozone into the realm of naked power relations between the Leviathan and Europe's crisis-hit societies,
- violated the rule of law at a European level, *and*
- denied Europe's weaker citizens and states any constitutional protection from arbitrary, discretionary power.

Granted that any Leviathan would need to have the authority not only to reject but also to fashion member-state government budgets, could a Euro Chamber within, or complementary to, the European Parliament, provide the missing body politic that protects Europeans from their own executive and maintains the rule of law at the heart of Europe? The minimal conditions for this protection to be on tap is that the Euro Chamber: (a) is uniquely empowered to hire or fire the Leviathan; (b) is the fount of final authority regarding the contents of each member-state's budget; and (c) has powers that are clearly demarcated by a Euro Constitution.

There are three substantial issues here: First, neither (a) nor (c) are ideas that our leaders (including Drs Lamers and Schäuble) would accept either because they lack the political power to promote them at home or because they detest the idea of passing on to the Euro Chamber so much power. As I argued in the prequel to this article, "... it is not a simple matter to graft a federal democracy upon a Brussels-based technocracy representing the unholy alliance between run-of-the-mill apparatchiks, a powerful Central European cartel of heavy industry, national politicians who have their own cosy relationship with bankrupt local bankers, and large international banks".

In conclusion, all talk of *gradual* moves toward a 'political union' and towards 'more Europe' are not a first step towards a European democratic federation but, rather, and ominously, a leap into an iron cage that will not only prolong the present crisis but also wreck any prospect of a genuine federal European democracy in the future. Throwing the peoples of Europe in that iron cage, and in the name of gradual steps towards a promised United States of Europe, will complete the business of de-legitimising 'Europe' in the eyes of Europeans. In a never-

ending loop of frightful reinforcement, authoritarianism and the economic malaise will feed off each other until Europe is brought to its breaking point.

## DECENTRALISED EUROPEANISATION AND THE MODEST PROPOSAL

Iron cages do not evolve naturally into democratic federations. It would be foolhardy to expect a democratic political union to emerge after locking the Eurozone's countries together under a system of arbitrary, discretionary power, in a dark cloud of permanent austerity, and in the absence of an Extra-market Surplus Recycling Mechanism. Instead, such proposals will turn domestic economic debates into international political conflicts within a European iron cage in which economic depression and misanthropy are the only growth industries. Such a pseudo-federalist, austere, centralised autocracy is bound to damage the economic and political well being of every European country, rich and poor, in deficit and in surplus.

Undoubtedly, the Euro Crisis has fashioned powerful forces working in favour of further centralisation, of even less sovereignty for the national parliaments, greater powers for the powers-that-be within the Brussels-Frankfurt-Berlin triangle, etc. Nevertheless, as history ought to have taught us, none of this represents moves towards a democratic federation. Empire builders are impatient with checks and balances on the executive, especially when in a hurry and under duress. Even when their intended actions are good and proper, they are bound to turn nasty in the absence of limits on the executive. In the Eurozone's case, things are far nastier. Once the executives' austere policies proved catastrophic, as they surely have done, they began to seek, and acquire, fresh arbitrary power to achieve their impossible goals. Now, as Drs Lamers and Schäuble demonstrate (along with many other 'Europeanists'), they are intent on adding a 'parliamentary' fig leaf of legitimacy to the iron cage they have forged.

A few months ago, James Galbraith and I analysed (in "[Wither Europe? The Modest Proposal versus the Federalist Austerians](#)") the growing melange of proposed solutions to the Euro Crisis. We found that proposals recommending some form of closer 'political union' will do nothing to resolve the Euro Crisis but will, instead, succeed in boosting magnificently Europe's democratic deficit. In the context of the present article, my point is that the forces of centralisation engendered by the Euro Crisis, if left unchecked, will create centralised power that is precisely the opposite of a federal democracy. But is there an alternative?

Our own recommendation was in favour of our *Modest Proposal for Resolving the Euro Crisis*. The reason was that it offers Europe a chance to accomplish two crucial tasks at once: To address the crisis through: (a) *europeanising* its four components (the crises of public debt, banks, under-investment and the humanitarian crisis), while (b) *decentralising* political power through a reduction of the discretionary power exercised illicitly today by the Brussels-Frankfurt-Berlin triangle.

Seen from another, less politically charged perspective, the Modest Proposal's greatest merit is that it offers a way to abandon the Eurozone's problematic *Principle of Perfectly Separable Debts and Banking Sectors*, and to introduce the missing *Extra-market Surplus Recycling Mechanism* without creating any autocratic, discretionary power at Europe's centre and without any need to re-write the European Union's existing rules and Treaties.

How does the Modest Proposal achieve this, seemingly, paradoxical duet of objectives? How can we *europeanise* the solution to the Euro Crisis' components without centralisation? Our answer is that the europeanisation of the four sub-crises can be achieved through redeploying existing European institutions, e.g. the European Central Bank (ECB), the European Stability Mechanism (ESM) and the European Investment Bank (EIB), in a manner that:

- keeps the discretionary power of its management at a minimum by stating clear rules that they must follow under their new re-designed roles,
- attacks systematically the Eurozone's systemic problems with public debt, banks that are under-capitalised, aggregate investment that is woefully low and poverty that is on the rampage, and
- makes it feasible for national governments to stick to the existing rules of the Eurozone.

The reason why no moves toward a 'political union' are necessary under the Modest Proposal, and thus no discretionary power is needed for some new fiscal Leviathan, is that the redeployment we propose: (i) does not

require of the German, Austrian or Finnish government to pay for the Greeks' or the Italians' debts or investment needs, (ii) can be effected within existing Treaties, and (iii) is to be handled on the basis of fully rule-bound management of existing institutions.

While this is not the place to explain in full our Modest Proposal (see [here](#)), as my emphasis in this article is on its political and ethical advantages over the austerian alternatives that are bound to injure European democracy irreversibly, a few words are in order as an explanation of why the Modest Proposal is a genuine solvent of the hideous dilemma between (a) a Europe reminiscent of an Iron Cage and (b) a Eurozone that disintegrates with untold consequences for the world at large.

Examining each of the four sub-crises separately it is clear that national governments cannot deal with them on their own (even if they coordinate their actions) while Europe's 'centre' is also not geared, at present, effectively to intervene. It is this lacuna that provides the excuse for proposals of 'political union' that will yield, in my estimation, both economic failure and political tyranny.

But, what if we could revise the rules and conventions under which our existing institutions function in order to attack these four sub-crises at source without violating the charter of the said institutions or any of the Treaties? What if we can introduce additional rules that are consistent with the existing rules and which leave no room for arbitrary power to their managers and require no new discretionary power in Brussels? Then, these four sub-crises can be dealt with at the European level, i.e. be *europeanised*, without a need for Leviathans at the centre. Indeed, by europeanising these realms of the Euro Crisis we can return effective power back to the national powers. Thus, my term *Europeanised Decentralisation*.

More precisely, the europeanisation of the four sub-crises, within existing Treaties, can be based on the following *rule-bound redeployments* of our three main European institutions:

- the ECB manages the part of the Eurozone's public debt that is allowed by the Maastricht Treaty on behalf of the member-states, without printing a euro and by charging all interest payments to the member-states (at the lower interest rate that the ECB can secure in the money markets)
- the ESM is modelled on the US TARP<sup>[4]</sup> to recapitalise failing banks and take them out of national jurisdiction, so as to break up the death embrace between insolvent states and weak banks
- the EIB is charged with the task of managing and overseeing a European New Deal investment-led recovery program, with the ECB purchasing EIB bonds in the secondary markets in the context of an effective, non-toxic program of Quantitative Easing that creates no bubbles in the financial sector but raises investment and combats deflation throughout the Eurozone
- the interest accumulating within the TARGET2 account of the European System of Central Banks (i.e. large quantities of money that are an increasing function of the intra-European imbalances which are responsible for people going hungry in many of our countries) can, by a simple decision of Council, fund a Eurozone US-style food stamp program could be funded by the interest accumulating within the ECB's TARGET2 account.

Notice that none of these policies violate any of the Eurozone's existing rules and, in fact, can be implemented fully by adding supplementary rules for the ECB, ESM and EIB managers to follow so as to ensure that they are afforded no additional discretionary power. Meanwhile, to the extent that the above resolve the debt, banking, under-investment and humanitarian crisis that make it impossible for national governments to govern within existing rules, they restore a modicum of democratic control and, thus, reduce Europe's abhorrent democratic deficit.

## **CONCLUSION: DISSOLVING THE 'IRON CAGE' vs DISINTEGRATION FALSE DILEMMA**

Alexis de Toqueville once wrote that those who praise freedom only for the material benefits its offers have never kept it long. In today's Europe, those who wax lyrical about the sanctity of the existing 'rules' are their worst enemy and the handmaidens of discretionary, autocratic power. Europe's democrats must, for this reason, beware of



those speaking of moves toward 'political union' and 'more Europe' when the real objective is to preserve an unsustainable monetary architecture.

Given the European Union's history, and the current state of the Eurozone, 'political union', 'fiscal union' and various other ideas for further centralisation are neither viable nor desirable policies. The institutions of the EU were designed, back in the 1950s and 1960s, in order to bleed politics out of them. And since nothing is as political, and as toxic, as an attempt to de-politicise a political process, the result was institutions at odds with the concept and practices of a democracy. Europeans understand this better now that the Euro Crisis has brought onto the surface the repercussions of the EU's institutional design. Thus, they are increasingly treating the Brussels and Frankfurt technocracies as an army of occupation, a little like the French looked at the Vichy administrators. They do not want Brussels, as it is structured today, to graduate into their federal government in response to a crisis of the EU's own making. With good reason.

In the midst of this legitimisation crisis, as Jurgen Habermas might describe, Europeans are being lured into a dreadful Faustian bargain: accept less democracy, more centralisation, greater discipline now and, in the future, you may be getting something akin to a federal state. Alas, accepting this deal will not bring federation any closer. Instead, it will:

- Bolster the Euro Crisis
- De-legitimise the European Union further in the eyes of Europeans
- Replace whatever democracy we have left at the national level with consultative processes that Brussels uses in order to cement a permanent commitment to deflationary, highly redistributive (in favour, primarily, of banks and, reliably, of the top income groups) policies
- Reduce political debates on economic policy to technocratic discussions amongst unelected managers whose allegiance lies with the technocracy that was created to service the interests of the ubiquitous Central European cartel and an all-devouring financial sector
- Ascribe pretend- accountability to a European Parliament or a Euro- Chamber which, in reality, acts nothing like a parliament but, rather, uses the semblance of a parliament in order to conceal the fact that European Law is passed in the radical absence of a genuine parliamentary process, and
- Entrench in European law the dangerous idea that sovereignty is *passé* in the era of globalisation.

None of these developments is consistent with a sustainable European Union. At some point, Europeans will shake this monstrosity off their backs and escape from the iron cage under construction around them. Unfortunately, the resulting European disintegration will come at a horrendous socio-economic cost.

This is why it is important to inject into Europeans' minds and souls the optimistic message *That Astonishingly There Is AN Alternative* (i.e. TATIANA, as opposed to... TINA). The said alternative is to combine *europeanisation* of the crisis' four components, by means of rule-based re-deployment of the ECB, the ESM and the EIB, with the *decentralisation* of power which is needed to reinvest national parliaments with the power to reinvigorate Europe's democracies. Then and only then, once democracy has been revived at the level of the member-states, can we begin the conversation that we must have of what future we want for Europe. Of whether we wish to create a genuinely democratic European federation or, indeed, to find ways of orderly disbanding our monetary union.

## NOTES

[1] This is the main thesis of my *The Global Minotaur: America, Europe and the future of the world economy*, London: Zed Books – see Chapter 9 of the second (2013) edition.

[2] This is also the view of the so-called 'Glienicker Gruppe' of German economists comprising Armin von Bogdandy, Christian Calliess, Henrik Enderlein, Marcel Fratzscher, Clemens Fuest, Franz C. Mayer, Daniela Schwarzer, Maximilian Steinbeis, Constanze Stelzenmüller, Jakob von Weizsäcker, Guntram Wolff.

[3] E.g. the so-called French-based 'Piketty Group' consisting of Thomas Piketty: Florence Autret, Antoine Bozio, Julia Cagé, Daniel Cohen, Anne-Laure Delatte, Brigitte Dormont, Guillaume Duval, Philippe Frémeaux,

Bruno Palier, Thierry Pech, Jean Quatremer, Pierre Rosanvallon, Xavier Timbeau, Laurence Tubiana.

[4] The Troubled Assets Relief Program