



Governance of the EU: Problems and Reform Proposals

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We take as our premise that the "democracy deficit" in Europe has become a crisis of legitimacy for the European Union, requiring early and dramatic action to begin to restore the trust, faith and confidence of European citizens in European institutions. The steps outlined below are feasible. And they are urgent.

The main problems: popular dislike and lack of democratic mechanisms

Brexit is a dramatic demonstration of the unpopularity of the European Union. Polls show that trust in the EU stands at an all-time low. According to autumn 2015 data, in only 11 Member States a majority of people thinks that their voice counts in the EU (down from 13 in spring 2015) and the pollsters recorded a decline in 19 Member States. Further, turnout has constantly fallen in every EU election since 1979, standing at 42.61% in 2014. And the recently-established citizens' right of initiative has proven to be hollow, as when a TTIP-initiative was refused by the Commission, and a protest petition with 3.3 million names was met with silence.

Democratic deficits affect all parts of the European structure. The Council may be said to "represent" the will of the citizenry, but only via national governments that are not

* Views expressed are those of the authors and do not necessarily represent Progressive Economy or S&D positions.

held directly accountable for the decisions of the Council, which is generally regarded as the least open to the public. Especially since the euro crisis, the German government has often assumed unilateral leadership, further compromising the idea of democracy. Worse still, informal and unaccountable bodies such as the Eurogroup and the Troika have been negotiating major Eurozone-related decisions, while the European Central Bank is being insulated, on purpose, from democratic politics.

A further problem concerns the future. The euro crisis needs to be addressed partially by creating a common fiscal policy, drastically revised central bank mandate and redistributive mechanisms in the Union. These kinds of reforms could, however, aggravate the legitimization problems of the Union, unless they are accompanied by further democratization of the Union.

Reform Proposals

The steps needed to be taken are urgent. Immediately implementable reform proposals must be consistent with the Treaty of the European Union. As far as economic policy is concerned, there are various plans to use the resources of the European Central Bank and the instruments of the European Investment Bank to create a public investment programme on a European scale; and to relieve national budget constraints for instance by implementing a Golden Rule approach, exempting public investment from the relevant deficit targets.

From the legitimacy point of view, the most evident immediate reform proposals concern five areas:

- (i) increasing the transparency of the EU;
- (i) altering the practices of Eurogroup and other governance bodies;
- (ii) reshaping the participation of national parliaments, European Parliament and corporate lobbyists in EU processes;

- (iii) disbanding the troika and setting up a legitimate debt restructuring mechanism;
- (iv) tackling negative consequences of migration.

Reforms not dependent on Treaty change

- Place the meetings of the Eurogroup, EcoFin, European Commission and ECB Governing Council on the record by (a) videotaping and web-casting all meetings, either in real time or with a short delay, and (b) by creating an accurate stenographic record of all meetings, for public release. Experience tells that public records improve the quality of debate at critical policy meetings and eventually lead to a better quality of policy maker.
- Introduce accountability of ECB to EP as far as possible within existing Treaty rules with option to take further steps in future Treaty revisions. Make membership of the governing council of the ECB subject to confirmation by the European Parliament, and give the Parliament the right to compel testimony, under oath if necessary, and to demand documents, by subpoena if required, from the ECB and from other relevant bodies.
- Create a more aligned system of multi-level governance, giving the national and local levels a positive stake in European politics. Develop “integrated subsidiarity” concerned with improving the interplay between different levels of governance whilst keeping the basic principle of subsidiarity intact. As a part of this process, include national parliaments not only in EU’s budget-control mechanisms, as suggested by the five presidents’ report, but also in other areas such as for instance external trade and investment negotiations, to ensure the transparency of these processes and to create a system of checks-and-balances within the EU.
- Disband the troika and exclude the IMF from further involvement in the EU economic policy making.

- Reorganise and restructure, in a fair manner, the public debt of the Euro crisis countries by setting up a debt arbitration mechanism, first in Europe but then extending it to global political economy.
- Create a mandatory joint register for the European Parliament, the European Commission and the Council of Ministers, in which every EU lobbyist has to register and report their activities in detail on a monthly basis; and tackle the corporate dominance of expert groups by creating a rule according to which at least 2/3 of members of these groups must come from independent academia and civil society bodies.
- Create a European Migration Fund (EMF) that provides help to deal with the negative local consequences that freedom of movement can bring.

Reforms dependent on Treaty change

We believe the above proposals could be implemented without any major reform of the Union's constitutional foundations. A more essential transformation of the EU, however, requires changing the EU Treaty. In principle, this can be done in two different ways. The conservative way consists of first organizing an intergovernmental convention and then having the outcome ratified in national parliaments. The process involves at least some national referenda. This way accords with the principles and procedures of classical international law. It is also the hardest possible way to change anything. To get the simultaneous support of all the 27 member states (or their representatives) for any particular reform proposal is difficult at best. Any change to any direction is likely to trigger wide resistance in one or more countries.

But there is an alternative. A more cosmopolitan and democratic way is to convene an Assembly of directly elected citizens' representatives. The outcome would be a constitution legitimised through an EU-wide referendum. This constitution can be made implementable by setting up adequate democratic procedures, where also

national parliaments (or a new second chamber of the European Parliament) play(s) an important role.

Such a social democratic European federation could include a number of familiar and novel institutional possibilities:

- Parliamentary democratic principles established at the EU level: commission (or union government) is made directly responsible to the parliament, while parliament (possibly bicameral) decides on budgets and on laws, and can also initiate laws itself.
- Democratic control is further extended to the European Central Bank, e.g. ECB directly answerable to democratically elected council or to the second chamber of the Parliament.
- Successful citizens' initiatives will result automatically in a parliamentary law-making process.
- Decision-making in the European Union is supported by new democratic bodies such as citizens' deliberative forums, delegated with the right to introduce legislation or given other real powers.
- EU taxation will be introduced, with the focus on taxing capital and excessive wealth and harmful activities.
- European citizenship is strengthened through the principles of social justice and by extending citizenship rights to the social sphere.
- The promotion of growth and employment is turned into the primary duty of the European Central Bank, and thus the EU constitution must allow for functional central bank funding.
- Banks that are "too big to fail" will be dismantled into smaller entities or nationalised, possibly by the EU as a whole.

- European and world citizenship should be strengthened by creating a public pan-European media company, which could operate via satellites and the Internet, but could also develop print outlets; its explicit task would be to further democracy and cultivate principles and virtues of good public journalism.
- Systems of education and research should be reorganised in view cultivating European and world citizenry and free, well-informed democratic discussions on public matters; involving a new basic framework and principles of free, publicly funded and self-governing universities.

A more dynamic interpretation of social democracy could also incorporate both social learning and democratization of the various social sub-systems and pluralisation of forms of property. Moreover, politico-economic paradoxes and contradictions are not confined to Europe but play out on a global scale. Struggles over income distribution are taking place the world over, at the same time as efforts continue to reduce costs in the name of international competitiveness. For instance, if the whole EU attempts to create a balance of trade surplus, this could only happen at the expense of other countries and overall global demand. Realizing this, a cosmopolitan EU will develop common institutions as part of a far broader global whole. No list can exhaust all these possibilities.