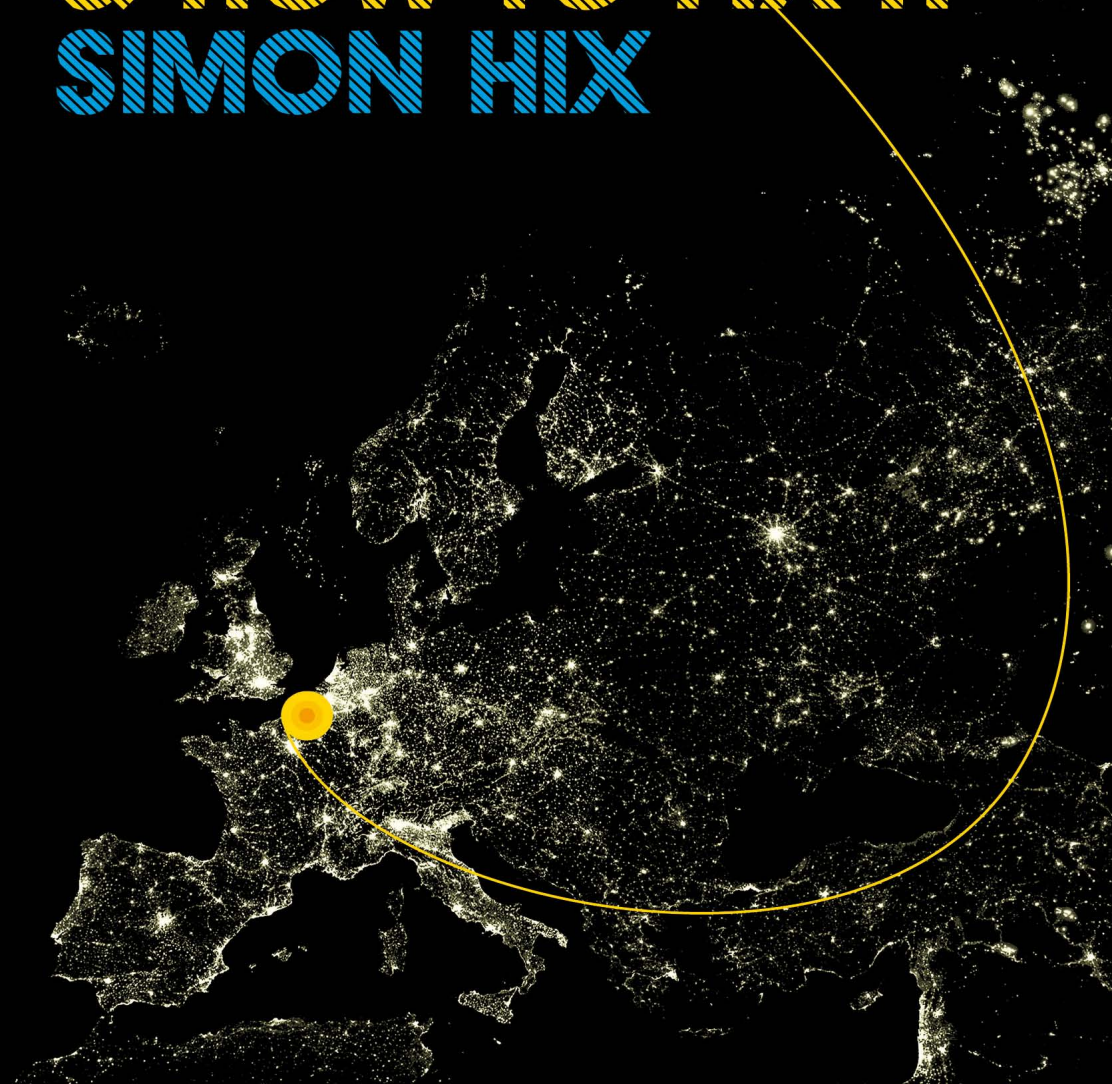# WHAT'S WRONG WITH THE EUROPEAN UNION & HOW TO FIX IT

SIMON HIX

What's Wrong with the European Union
and How to Fix It

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polity

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Preface

Although I wrote this book in the first few months of 2007 it is the product of several years of research, thinking and teaching about the European Union (EU). I have always been interested in how political science can use theoretical insights and empirical analysis to contribute to public policy and political reform. I was lucky enough to have the opportunity to engage directly with policy-makers on the issue of reform of the EU when I chaired a working group on 'Democracy in the EU' for the British Cabinet Office during the Convention on the Future of Europe. This was one of several working groups convened by the British government to discuss the British position in the EU constitutional reform process.

Since then, I have developed my ideas about the problems facing the EU and what could be done to address them in a series of lectures and seminars. These included presentations at the Institut d'études politiques (Sciences-Po) in Paris, Harvard University, a British Council–Foreign Policy Centre conference in Taormina in Sicily, the University of Essex, the College of Europe at Natolin in Poland, Yonsei University in Seoul, the University of Tokyo, the European Policy Centre in Brussels, the University of Copenhagen, the University of California in Berkeley, the British–Dutch government conference on subsidiarity in the Hague, Princeton University, the Free University in Brussels, the European Central Bank in Frankfurt, the University of Zurich, Charles University in Prague, and the conference of the presidents of the EU parliaments on the 50th

anniversary of the Treaty of Rome, at the European University Institute in Florence in March 2007. I would like to thank all those who participated in these seminars and commented on my ideas, in particular Stefano Bartolini, Lars-Erik Cederman, Barry Eichengreen, Baron Frankel, Mark Franklin, Peter Hall, Stefan Huemer, Michiel van Hulten, Simon Hug, Hae-Won Jun, Jo Leinen, Mark Leonard, Johannes Lindner, Andrew Moravcsik, John Palmer, Michael Shackleton and Alexander Trechsel.

I also developed my ideas on the democratic accountability of the EU and the design and operation of the EU institutions in several articles, books and policy papers. Some of the ideas in this book draw on these previous publications, some of which were co-authored. I am very much indebted to my co-authors of this previous work: Abdul Noury, Gérard Roland, Andreas Føllesdal and Michael Marsh.

I would also like to thank Giacomo Benedetto, Ben Crum, David Farrell, Matthew Gabel, David Held and Tom Hitchings for offering very helpful comments on the draft manuscript. Finally, I would like to thank my wife, Beth, and my children, Ben and Ruth, for enduring my absences while travelling to present and develop the ideas in this book.

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Simon Hix
London
November, 2007
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Abbreviations

ALDE	Alliance of Liberals and Democrats for Europe, the centrist/liberal group in the European Parliament since June 2004
CFSP	Common Foreign and Security Policy
EDD	Group of European Democracies and Diversities, the anti-European group in the European Parliament until June 2004
ELDR	European Liberal, Democrat and Reform Party, the centrist/liberal transnational party, and a group in the European Parliament until June 2004
EMU	Economic and monetary union
EPP(-ED)	European People's Party(-European Democrats), the centre-right group in the European Parliament
EU15	The EU of fifteen member states before enlargement in May 2004
EU25	The EU of twenty-five member states between the enlargement in May 2004 and the enlargement in January 2007
EU27	The EU of twenty-seven member states after the enlargement in January 2007
EUL/NGL	European United Left/Nordic Green Left, the radical left group in the European Parliament
G/EFA	Greens/European Free Alliance, the coalition of greens and regionalists in the European Parliament

IND/DEM	Independence/Democracy, the anti-European group in the European Parliament from June 2004
MEPs	Members of the European Parliament
NA	non-attached Members of the European Parliament
PES	Party of European Socialists, the centre-left transnational party and group in the European Parliament
QMV	qualified-majority voting, the system of weighted voting in the EU Council
SQ	status quo, the current (fallback) policy
UEN	Union for a Europe of Nations, the conservative/ nationalist group in the European Parliament

Introduction

For decades Europe's leaders have pretended that there is no politics in Brussels. The European Union works through politically neutral institutions and happy consensus, so they claim, epitomised by the 'family photo' of smiling heads of government at each quarterly European Council meeting. This is a charade. Beneath the surface neutrality and consensus are ferocious political battles. These battles used to be about how far and how fast European integration should proceed. These days, however, they are about how far and how fast European economic and social policies should be reformed.

On one side of the new debate are the reformers, who want economic and social change in Europe. The unofficial leader of this group is Commission President José Manuel Barroso, supported by most of his fellow commissioners, most centre-right and 'modern' social democrat governments, particularly from the new member states, and the centre-right and liberal Members of the European Parliament (MEPs). On the other side are the supporters of the traditional European social model. This group is most vocally represented by the French left, and includes several left-wing governments, a few 'traditional' socialist Commissioners, many of the socialist, green and radical left MEPs, and assorted organised labour groups and NGOs throughout the continent.

This, I believe, is exactly what Europe needs. For too long the EU has been isolated from real political debate. Delegating powers to politically independent institutions, and making

decisions largely by consensus, was a good idea during the construction of the basic economic and political architecture of the EU, to ensure a neutral design of our continental-scale polity. However, now that this architecture is in place, the EU faces three new challenges, each of which requires more open political debate at the European level.

The first challenge is how to overcome 'policy gridlock'. The EU needs to undertake reforms to make the European economy generate more jobs and increase growth while protecting the European way of life, for example through the reform of labour markets, the service sector, the energy sector and the welfare state. These are tough policy decisions, which the EU has thus far been unable to take. These decisions are also fundamentally 'political', since any changes to existing policies will produce winners and losers, at least in the short term, and these winners and losers will take different sides in the debate. Difficult policy decisions also require leadership, as reforms cannot be undertaken without a coalition in support of them within and across the EU institutions.

The second challenge is the low and declining level of popular legitimacy of the EU. Only about 50 per cent of EU citizens currently think that their county's membership of the EU is 'a good thing'. The long-term viability of the EU is questionable unless the downward trend in support for the project can be reversed in the next decade. Without a mandate for policy change, economic reform directed from Brussels is likely to reduce rather than increase public support for the EU. The winners from reforms may become more enthusiastic about the EU, but the losers will become even more opposed.

The third challenge is how to make the EU more democratically accountable. The EU is certainly democratic in procedural terms, in that we elect our governments and MEPs, who together appoint the Commission and make policy in our name in Brussels. In substantive terms, however, the EU is

closer to a form of enlightened despotism than a genuine democracy. The representative structures and the checks-and-balances of decision-making ensure that EU policies are relatively centrist, and hence close to the views of most European citizens. However, without a genuine debate about and competition over the exercise of political authority at the European level, most people do not know what their views are about major policy issues on the EU agenda and have no way of influencing the direction of the EU policy agenda even if they did.

The choice for our political leaders is not between focusing on policy reform or focusing on improving the legitimacy and accountability of the EU. In reality, policy reform will inevitably lead to political conflicts, and the outcomes of these conflicts will not be accepted as legitimate by those on the losing side unless there has been an open and democratic debate about the reform options which produces a mandate for policy change.

More politics in the EU should not be feared. Rather, it should be embraced. Competition for public office and over the policy agenda forces elites to engage in policy innovation. Politics encourages 'joined up thinking' across issues, where the policies in one area (such as labour market liberalisation) have to be matched with policies in other areas (such as higher spending on education and training). Politics allows coalitions to be built across institutions, and so would enable the EU to overcome the checks-and-balances in the system. Politics would provide incentives for TV and newspaper editors to be interested in the 'Brussels soap opera' for the first time. Above all, more open EU politics would encourage citizens to understand the policy options, to identify which leaders take what positions on the key issues, to take sides in European-level policy debates, and ultimately to accept being on the losing side in the short term in the expectation of being on the winning side in the near future.

So, what the EU needs, I contend, is 'limited democratic politics'. I use the word 'limited' here to mean two things: first, limited rather than full democratic politics, as I think the public is not ready for full-blown European-wide direct democracy; and, second, limited meaning heavily constrained by the existing checks-and-balances of the EU system. The EU never will be, and never should be, like the Westminster model of government, where a narrow political majority can dictate policy outcomes. But the EU should become more like the German or Scandinavian models, where a broad coalition is built in support of policy changes via open and vigorous political debate.

There are two prerequisites for limited democratic politics: (1) an *institutional* design that allows for a contest for leadership and control of the policy agenda, at least for a limited period; and (2) a pattern of elite *behaviour* where contestation is accepted and where losers in decisions are willing to accept the legitimacy of the winners. It might come as a surprise to some people that the EU actually possesses both these elements already.

On the institutional side, treaty reforms since the mid 1980s have transformed the EU into a considerably more majoritarian system. Qualified-majority voting (QMV) in the Council now covers all the main areas relating to the creation and reform of the internal market. The European Parliament has co-equal power with the Council under the co-decision procedure in almost all areas of social and economic regulation. Finally, the introduction of QMV in the European Council for choosing the Commission president and the Commission as a whole will gradually transform the way the Commission is 'elected'. This may seem a relatively innocuous change. However, the new rules for electing the Commission now mean that the same coalition of governments in the Council and political parties in the European Parliament can elect 'their' agenda-setter and then pass his or her legislative proposals.

On the elite behaviour side, ideological (left–right) battles are now a strong feature in all three EU institutions. The left–right is the main dimension of conflict in the European Parliament; voting in the European Parliament is increasingly along party lines and decreasingly along national lines, and the transnational parties in the European Parliament are now more cohesive than the Democrats and Republicans in the US Congress. The Council has begun to show something similar: with more open contestation and splits along left–right lines. And, the relations between the Commission and the other two EU institutions are increasingly partisan. Whereas the Santer Commission was a grand coalition, the Prodi Commission had a slight centre-left majority, and the Barroso Commission is dominated by centre-right politicians. One of the positive features of conflicts based on left–right splits rather than national divisions is that a winning coalition at the European level is likely to be supported by a section of the elite in every member state.

In fact, since January 2005 the EU has had 'unified centre-right government', with the same coalition of conservatives, liberals and Christian democrats dominating the Commission, the Council and the European Parliament. Not surprisingly, in the Spring of 2005, in the French and Dutch referendums on the EU Constitution, the left mobilised against the neo-liberal policies of this EU centre-right coalition.

But, referendums are a crude and ineffectual mechanism for expressing citizens' preferences on EU policy issues. What is missing is a more open debate about the emerging politics inside the Brussels beltway and clearer connections between this politics and citizens' views. Citizens recognise the importance of the EU but do not engage with EU politics. National elections are, understandably, fought on national rather than European issues. Ironically, European Parliament elections also have very little to do with Europe. These elections are not

about rival candidates for the Commission President, or about which party should be the largest group in the European Parliament, or even about whether a particular MEP has done a good or bad job. Instead, citizens, the media and national parties treat European Parliament elections as just another set of domestic elections, on the performance and policies of national parties and leaders.

Europe is not ready for full-blown European-wide democracy, as the failure of European Parliament elections to promote European-wide politics has demonstrated. However, by moderately increasing the incentives for elites to compete more openly in Brussels, citizens will begin to understand and engage with EU politics, and may gradually demand to be involved more directly. In procedural terms, further treaty reforms, as in the revised version of the failed Constitution that the EU heads of government agreed in October 2007, will not by themselves change the way politics in the EU works. The institutions already exist for limited democratic politics in the EU. And, even if a new set of treaty reforms are eventually implemented, the EU will still suffer from policy gridlock, a lack of popular legitimacy and a democratic deficit. What is needed is for the political elites to change the way they operate within the institutional rules of the EU.

For example, if a majority coalition in the European Parliament was able to dominate policy-making inside the chamber, there would be more at stake in European Parliament elections. This would encourage national parties and European parties to coordinate their campaigns, as who wins the elections would matter for the first time. The Council, meanwhile, should operate more like a normal legislature, with fully-open legislative deliberations and the publication of amendments to bills and the positions taken by the governments on each issue. And, there should be a more open battle for the Commission President, with rival candidates before European Parliament

elections, programmes from each candidate, public debates between the candidates, and declarations of support for each candidate by prime ministers, opposition parties and the European Parliament parties.

What I do in this book is develop this argument. Part I analyses the three main challenges facing the EU: of policy gridlock, a lack of popular legitimacy and the democratic deficit. Part II then makes the case for the gradual development of limited democratic politics in the EU, explains how this has already begun to emerge inside and between the institutions in Brussels, and includes a set of concrete proposals for how more open political contestation in the EU can be encouraged without treaty reform. First, however, I shall make the case for the EU, as for some readers this may not be self-evident.

Why the European Union is more necessary than ever

How large does an economy need to be to generate enough wealth for its citizens? How small does a polity need to be for the government to be stable and accountable? A recurrent problem since the emergence of industrial society and the spread of democratic government is that the answers to these questions have tended to point in opposite directions.[1]

On the economic side, larger and more diverse economies are generally better than smaller ones. A large economic area allows for greater geographic and human diversity, which enables greater specialisation and economies of scale, which in turn promotes a broader range of goods and services, lower per capita costs of public goods, higher productivity rates, and higher employment, growth and wealth.[2] Sure, small societies, such as Switzerland and Norway, and even micro-states, such as Singapore and Hong Kong, have had highly successful economies. However, they have been successful only because they have been open to and integrated with the rest of the world and have been willing to accept the loss of sovereignty that is an inevitable cost of this openness. Larger societies, and the United States is the epitome of course, have not had to be so economically integrated with the outside world, have not had to specialise on a few key products and services, and have been less affected by the ups and downs of the global economy. In contrast, small states have only been able to prosper in an open global trading system by specialising in a few key goods and by adapting their domestic policies to fit standards set by

larger economies.[3] Economic logic suggests, then, that bigger is generally better than smaller, unless a society is able to be internationally competitive in a global free-trading system and is willing to give up autonomy over most macro- and micro-economic policy decisions.

On the political side, in contrast, smaller and more homogeneous societies tend to be more governable than larger and more heterogeneous societies. Smaller societies allow for greater direct participation in government and ensure that political elites are less distant from the people. Furthermore, ethnically, religiously, linguistically and/or culturally homogeneous societies tend to have more harmonious political debates and more shared opinions – what political scientists call 'preferences' – across a range of political issues.[4] Following this logic, Gabriel Almond, Seymour Martin Lipset and others famously argued in the 1950s and 1960s that democracy can only work well either in homogeneous societies or in societies where there are 'cross-cutting cleavages'; meaning that ethnic, religious, economic and cultural divisions overlap to such an extent that all social groups are minorities.[5] Where a society is deeply split between several ethnic or cultural groups, either democratic government is impossible or government by the majority must be heavily constrained by power-sharing between the groups' elites, through grand coalitions.[6] To reiterate the point: contrast successful and stable democratic government in places such as Sweden and the United States, as examples of homogeneous and cross-cutting cleavages, respectively, with unstable or undemocratic government in large diverse and ethnically dived societies such as China, Russia and much of Africa. Some smaller nations, such as Belgium and Switzerland, have been able to resolve cultural conflicts precisely because they are small, which allows for cooperative behaviour between the elites from the rival groups. In general, though, political logic

suggests that democratic government works best in smaller and more homogeneous polities.

This helps explain why the United States has been so successful. The United States has a continental-scale economy with a high level of geographic diversity. With such a large domestic economy, only about 20 per cent of the Gross Domestic Product (GDP) of the United States is traded in the global economy. As the world's largest market, rather than having to follow standards and policies set by other economies, the US (until the emergence of the EU) was the international policy leader – forcing other societies to adapt to the regulatory standards and policy choices of the US political and economic decision-makers. Also, US society is highly pluralist, but no single cultural group is dominant, the cultural, religious and socio-economic cleavages are cross-cutting rather than reinforcing, and the polity operates through a common language. As a result, the US has an ideal political-economic model.

No other part of the world has been as fortunate as the US, able to combine an economy which is sufficiently large with a democratically accountable and stable political system on a continental scale. In China and the Soviet Union, the tension between the economic logic of a large state and the political logic of a small and homogenous state was solved by the creation of large economies with undemocratic governments. When democracy came in 1989, the Soviet Union broke up and Russia has gradually slid back towards authoritarian government, in part in reaction to further secessionist demands. One fear of the Beijing elite is that democratic reforms might have a similar effect in China, by unleashing secessionist demands in Tibet, Outer Mongolia and parts of Western China.

Until the last half-century, Western Europe solved the political-economy dilemma in the opposite way to Russia and China: with the creation of small sovereign states. Most of these states were not economically viable on their own, particularly