

## HOW TO GOVERN EUROPE

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The conference asks itself ‘How Can We Govern Europe?’ . Clearly, the short answer is ‘not like we do now’ . Indeed, it may be that the present sorry state of the European Union renders it ungovernable: it is, at the very least, in an unstable state.

Our current post-Lisbon, mid-crisis system of governance has given the European Union a policy of fiscal austerity that works neither in theory nor practice. Despite the rush of crisis management measures taken by the EU since 2008, Europe’s economy remains smaller than it was in 2007 and is now facing the dismal prospect of secular stagnation. The banks may be ‘fixed’ for the moment, but the underlying financial and economic problems are very much still with us. The burden of public debt and deficit is implausibly high in several EU countries, including Italy. The banking union cannot be accomplished unless and until there is a fiscal backstop in the form of a single deposit guarantee fund. Progress towards the fiscal union cannot be started unless and until there is agreement to make the European Central Bank the Union’s lender of last resort. Everyone knows that if the euro is to be salvaged there must be large-scale restructuring of debt. Yet the European Council resists the federalisation of government which is implicit in the sharing of the debt burden among taxpayers. So the imbalance between creditors and debtors continues to grow – and the eurozone continues in jeopardy.

Indeed, as the focus of the euro crisis turns from the banks to the states, it is national political institutions which are exposed as being not fit for purpose. Not only do national political parties and parliaments fail to maintain support for European integration when faced with the powerful centripetal forces of Brussels, but national constitutions are challenged by new, powerful centrifugal pressures within the state structures. The electorate appears to know that while the scale and complexity of problems have out-paced the capacity of the nation state, the EU is, so far at least, ill-prepared to deal effectively with them.

And if there’s bad news at home, there is no better news abroad: Mr Putin and Mr Erdogan remind us on a daily basis that our two big geo-political partners to the East have rejected the European way. And the wider Middle East is engulfed in what increasingly looks like the Islamic equivalent of the 30 Years War.

So who’s to blame? It is too easy to cast around for culprits. None of the EU institutions, not excluding the ECB, comes out blameless. The Treaty of Lisbon neither strengthened the economic governance of the monetary union nor gave the EU autonomous ‘own resources’ of revenue for its budget to match its heightened political ambitions. Its provisions for Common Foreign and Security Policy have been disappointing in their application. Too many of our

citizens do not trust the European Union to be an assured source of public good and trustworthy democracy. One large member state is even threatening to leave the Union altogether.

In terms of constitutional evolution, the EU seems caught in an awkward trap mid-way between an intergovernmental confederation and a post-national federal union. If the Union does not reform, it risks falling apart. Many would like that. Those of us who wish Europe well, however, must advance a prospectus for reform which is based firmly and squarely on deeper integration. We must work to change the context in which the questions about European governance are posed. For us, the real question is ‘how might a more united Europe best be governed?’ .

Here are ten suggestions for governance reform aimed at enhancing the capacity of the Union to act effectively and democratically.

1. **Install a proper government.** Replace the diffuse and opaque executive we have at present - stretched out between the European Commission, the European Council, Ecofin, the ECB, the Euro Summits, the Eurogroup, the ESM and the IMF - with one central authority based on the Commission, enjoying a full treasury facility, with the powers to combine monetary, fiscal and economic policies into one coherent whole. The size of the Commission should be reduced.
2. **Revise the role of the European Council,** so that it becomes responsible only for critical strategic issues (such as Ukraine), leaving to the Commission the main responsibility for running the EU. The European Council should become an integral part of the legislature, coordinating and driving the work of the Council of Ministers. The rotating presidency of the Council would be scrapped in favour of the meritocratic election of chairs.
3. **Introduce a pan-European constituency for the European Parliament,** in which a certain number of MEPs would be elected from transnational party lists. The aim of this reform, which builds on the *Spitzenkandidat* experiment, is to galvanise federal political parties into forming the essential democratic sinew between citizens and power at the federal level.
4. **Liberate national parliaments from the artificial constraints of the subsidiarity ‘early warning mechanism’** , allowing MPs to try to influence the Union legislature at any stage.
5. **Strengthen the competences of the EU in terms of fiscal policy, taxation, immigration and energy supply.** The EU needs to be able to address directly the things that matter most to people.
6. **Give the Union its own sources of revenue to fund a larger EU budget.** Direct and indirect taxation of citizens by the EU, and a transfer up to the EU budget of certain

key items of expenditure on the basis of subsidiarity, will save national treasuries money.

7. **Modify the rules for changing the treaty in the future.** The EU needs to be brought into line with other federal systems and/or international organisations, so that no one state has a veto on reform.
8. **Create a form of affiliate membership for states which choose not to follow the federal path.**
9. **Modernise the common policies**, many of which, such as transport, the CAP and CFP, are badly out of date.
10. **Integrate the External Action Service into the Commission**, in order to reduce friction and duplication and to improve coherence and punch.

Naturally, a Convention will be needed to draft these important changes.<sup>1</sup> The Convention could be prepared by a reflection group. But in any event it falls to the Juncker Commission, in close collaboration with the European Parliament, to take a lead.

The main agenda of the Convention should be to render the constitutional framework of the Union less prohibitive to government and more permissive. The Convention should adhere to a strict interpretation of the principle of subsidiarity so that the powers of the EU are increased over policy sectors which require post-national solutions. The British problem, whatever it turns out to be, will take its place in the agenda of the Convention. The whole process should be designed to be settled and complete in 2019.

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<sup>1</sup> Discussed more fully in my forthcoming book, *Pandora, Penelope, Polity: How to Change the European Union*, John Harper, January 2015.