

Saving the euro at all costs could lead to the hollowing out of European democracy

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Since the financial crisis, a process of change has been underway which has seen a new model of technocratic financial and economic governance take hold across Europe. [Alexander Ruser](#) argues that these reforms, motivated by a desire to save the euro 'at all costs', could bring about the hollowing out of democracy, with the will of the people increasingly coming secondary to the demands of financial markets.



Abraham Lincoln defined democracy as government of the people, by the people, for the people. Markets, however, he chose not to mention at all. It may be that Mr Lincoln was dealing with an idealistic, out-dated definition of democracy.

A brief look at the recent discussion about the viability of democracies in global market economies, in particular since the financial crisis, reveals two problems: democratic decision-making is either seen as the main driver of public debt, or rendered irrelevant given the firm grip of the global invisible hand. Sometimes, commentators even try to have it both ways.

This is particularly visible in a more recent essay in [The Economist](#) which states that 'the financial crisis starkly exposed the un-sustainability of such debt-financed democracy' only to continue that 'national politicians have surrendered ever more power... to global markets and supranational bodies, and may thus find that they are unable to keep promises they have made to voters'. Despite this apparent contradiction, the lesson learned is rather simple: politicians either cannot keep their promises or they should not. Maybe they should stop making promises altogether?

It is obvious that elected representatives are increasingly accountable to a second constituency: the markets. This could indicate the advent of a *Schumpeterian* version of democracy in which democracy does and cannot mean that the people actually rule in any real sense. Which of these two constituencies is more important? Given the apparent market failures, and the inability of mainstream economists to explain (or predict) the crisis, one could have expected a critical examination of the gospel of the 'free market' and subsequently a shift of power towards 'the people' who gave away billions of tax money to save the financial system.

However, precisely the opposite happened. From the perspective of institutional theory, the crisis seems to have caused a 'punctuated equilibrium' allowing 'large-scale departures from the past'. However, an 'advocacy coalition' (consisting of the key players in the EU, such as the ECB, the European Commission and economically powerful members like Germany and France) made every possible effort to convince the public that the equilibrium was in fact intact. Instead of critically examining the scientific foundation of pre-crisis economics or questioning the policy advice given by the same experts, the overall aim was to defend the financial order. And successfully so: after the dust of the initial crisis has settled [blame has shifted from the markets to the state](#)

However, in 2015 we haven't simply returned to pre-crisis politics: budgetary rigour, austerity, and the dogma of winning back the 'trust of the markets' have not only become predominant political goals but have acted as catalysts for a more technocratic form of decision-making.

There are two factors here: firstly the crisis response mechanisms (e.g. the collection of crisis management instruments known as 'European Financial Stabilisation Mechanism' (EFSM) and 'European Financial Stability Facility' (EFSF)) originally invented as ad-hoc and temporary political instruments, grew into a whole new system of

economic governance. In contrast to the way institutional reform is normally carried out in the EU, this new system was driven by an enormous sense of urgency, which in itself was fuelled by a relentless flow of bad news. The sense of 'running out of time' is key to understanding why and how such far-reaching reforms were done ['in extreme haste'](#).

Secondly, democratic decision-making is seen as a threat. The crisis response mechanisms are facing increasing resistance from the public, particularly in the most crisis-ridden member states. In 2011 the Greek government was forced to cancel a referendum aimed at securing popular support for austerity measures due to the concern that the population would reject European recommendations. The fear that public participation would conflict with the imperatives of the markets was echoed in the run up of the Greek referendum in July 2015. Discredited

as 'populist' and its outcomes painted in the darkest colours, the imminent threat seems to have been democracy itself. Accordingly the referendum and subsequent attempts to throw the weight of democratic legitimacy behind the negotiations by the Greek government have been torpedoed by the advocacy coalition, most prominently Germany.

If democracy is about choice, markets are about efficiency. And if democratic choice comes in the way of reforms preferred by market participants one or the other has to give way. It should not be argued here that the 'will of the people' will always get things right. Maybe Norman Powell was correct that 'people are turbulent and changing; [they seldom judge or determine right'](#).

Can the EU afford to follow the will of turbulent, wavering people? For some, the answer is no. They propose to hand over decision-making to ['reasonable technocrats'](#) instead. This not only promises to save people from their own short-sightedness, but would also be preferable over the (impossible) promises of 'populism' or the take-over of political extremists.

Effectively the 'reasonable technocrat' is a second coming of Margaret Thatcher's (and, more recently, Angela Merkel's) 'there is no alternative' politics. If there is no alternative, 'necessary action' must be taken. It is arguably the core feature of the above mentioned advocacy coalition to refuse to call their core beliefs on economics into question. All to avoid frightening the markets.

But has democracy proved itself being incapable of coping with the crisis? Maybe one should ask what a 'reasonable technocrat' actually looks like. A reasonable politician may always be urged to follow the wishes of their voters and thus might make wrong decisions. In contrast, the reasonable technocrat is bound to a specific theoretical paradigm and therefore runs into the danger of making logical but callous decisions. However, it may be hard to tell the reasonable from the unreasonable technocrat, the one who follows personal interests, affiliates with elites or entertains an ideological world view rather than the impartial assessment of the rational expert.

Putting too much trust in experts (reasonable or not) is always dangerous. For it may herald the hollowing out of European democracy and the marginalisation of the original constituency: the people. Back in 2012, the European Central Bank chief Mario Draghi was determined to 'save the euro at all costs'. If these costs include the viability of European democracy, one might ask: what was the euro saved for?



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