

gitimacy of the ECB is concerned, let us notice some limited evolution in the Convention's draft and in the works of the IGC, through a double movement towards the extension and the democratization of the simplified revision procedure.

In conclusion, this book is a thoughtful contribution to the legal and institutional debate about the ECB and the ESCB. It is not an easy field of research. The author has succeeded in presenting a synthesis and a thesis. So the discussion keeps going.

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Stefan Collignon, *The European Republic: Reflections on the Political Economy of a Future Constitution*. The Federal Trust for Education and Research in Association with the Bertelsmann Foundation. London: The Federal Trust, 2003. 212 pages. ISBN 1 903403 51 0. GBP 29.

Welcome to Utopia. This, one might suspect, could have been the title of the book that is under review here. And this suspicion provides the busy reader – relentless as ever when scaling down the reading list to reasonable proportions – the perfect reason to dismiss this publication at face value. After all, even if the hope for reaching some kind of agreement on a European Constitution is again carrying the day, the prospect of a European Republic seems a bit far-fetched. This book, however, is not about that result *as such*. It is about the *process* of getting at a result that works in terms of both legitimacy and efficiency. It exposes the logical dilemmas involved in facing the challenge of making the European Union work also after its enlargement by ten new member states. More specifically, it is about the functional requirements of the modern monetary market economy. Collignon, a professor of European political economy at LSE, seeks to establish that these requirements would *logically* lead to the acceptance of the notion of a European Republic. As the author genuinely believes that agreement should follow deliberation, not precede it, the value of this book is in providing benchmarks giving direction to smaller pragmatic steps, rather than a vision or grand design.

The basic argument of the book is that the EU needs a full-fledged government, which draws its authority from European citizens, not States. Building his argument, Collignon takes a political economy approach. The Bertelsmann Foundation and the Centre for Applied Policy Research at the University of Munich have commissioned this study in the framework of their joint project on "Consequences and Implications of the Euro". Thus, the principal focus of the study is on how economics affects politics, and how politics affects economic outcomes. Collignon observes that European integration is based on market integration in a monetary economy, and he takes it from there. Making use of *the theory of collective goods*, Collignon restates his basic argument by acknowledging that a large number of European collective and public goods have been created, and that it should be recognized that the governance of these goods has become a 'public thing'. Collignon considers the disequilibrium between Economic and Political Union, the Achilles heel of European integration. In this review I will first outline how Collignon seeks to strike a balance between the two, and then I will critically appraise his approach.

I will concentrate on the Chapters 1 and 3, since they constitute the theoretical framework of the study by which all else stands or falls. Chapter 1 is about what Collignon considers to be "the essence of European integration". To be able to grasp this essence Collignon offers the reader some analytical tools, one of which is Olson's *principle of fiscal equivalence*. This principle has been developed within the theory of fiscal federalism. It says that the geographical incidence of the benefits of a public program should coincide with the jurisdic-

tion of the government operating and financing the program. Collignon applies this principle by interpreting “public programs” as the provision of collective goods of all kinds, including policy decisions. He distinguishes three categories: epistemic constituencies (policy input), polity (decision-making domain) and policy domain (policy output). As to Fischer and Schley’s *principle of jurisdictional congruence* – another analytical tool Collignon uses – polity and decision-making domain should coincide. How all three categories relate to each other is apparent from Collignon’s own definition of a polity as “an epistemic constituency that agrees on a constitution for procedural policy-making rules, although it may split into different epistemic constituencies on the evaluation of substantial and distributive issues” (p. 28). This definition points at another important distinction, *viz.* between two kinds of rules, which Collignon works out as his third theoretical precept (see *infra*).

Having formulated the various definitions and distinctions so far, Collignon makes his first theoretical point: While in classical policy-making models for the nation state the assumption is that epistemic constituency, polity, and policy domain all cover the same set of individuals, on the level of the European Union one can identify two types of policy-making inefficiencies. The first is related to the gap between polity and policy domain (leading to policy output externalities), the second to the incongruence between epistemic constituencies and polity (leading to a lack of legitimacy). The other theoretical point that Collignon makes in Chapter 1 with regard to the essence of European integration is about values, norms and consensus. To be able to make his point, the author revisits *the model of stochastic consensus* (see Collignon and Schwarzer, *Private Sector Involvement in the Euro. The Power of Ideas*. London: Routledge, 2003) and further develops it in Annex 1. This model of stochastic consensus is to be distinguished from deterministic consensus. Whereas the latter assumes unanimity *a priori*, the former is concerned with getting there. The stochastic model of preference formation is all about the conditions under which equilibrium can emerge. These conditions evolve in three steps: “(I) Individuals have *naturalistic preferences*, which are derived from cultural contexts and conventional values. (II) These immediate preferences are re-valued in light of new empirical evidence and more abstract norms and reasons, leading to *rational preferences*. (III) *Collective preferences* are established through dialogue, deliberation and higher order beliefs where individuals evaluate other individuals’ views” (p. 31). Equilibrium can emerge if (i) individuals in the same consensus domain have mutual respect, and if (ii) there is a chain of respect that connects them. As long as equilibrium has not been attained yet, there is *dissent*. If either of the two conditions is not fulfilled, no equilibrium is possible, and *conflict* arises.

Making use of his model of stochastic consensus, Collignon argues that the purpose of European integration was to overcome conflict, not to abolish dissent. The author points out that the dissent in the constitutional debate in Europe between sovereignists (intergovernmentalism) and integrationists (supranationalism), very much like the controversy in philosophy between communitarianism and universalism, stems from the fact that sovereignists (like communitarians) start with the result of step III (see *supra*) that becomes part of the “background”, whereas integrationists (like universalists) maintain that consensus is the final outcome of a rational process. The author argues that if any equilibrium is to be attained at all, it is by focusing on the deliberative structure of consensus formation (step III). To make collective choices acceptable, open and inclusive deliberation in a European epistemic constituency is called for. Collignon recommends that a European Constitution set the rules and institutions whereby this can be achieved. In Chapter 2 the author expands his argument by looking at the context within which European unification takes shape. He discusses issues such as migration, globalization and EU enlargement, only to buttress the point he made in the previous chapter.

In Chapter 3, on rules and constitutions, Collignon makes his third and fourth theoretical point. The third point was already stipulated in the definition of a polity, mentioned above.

It is based on the distinction that must be made between *constitutive rules* and *regulative rules*, the latter of which regulate already existing activities. This distinction goes back to Hume and Rawls' two principles of justice. What matters, says Collignon, is constructing a constitution that will sustain and deepen a collective acceptance of its constitutive rules, which are never "value-neutral", while remaining neutral with respect to distributional issues (regulative rules). The fourth and also last theoretical point is about power and legitimacy. It is based on the distinction between *conventional power* and *institutional power*. Collignon associates the former with step I (background values), and the latter with steps II and III (normative consensus) in his model. He argues that constitutive rules (and legitimacy) *create* institutional power. And institutional power, based on European constitutional consensus, will endogenously create a European Republic. Collignon does not mean this in any holistic sense. He distinguishes the traditional concept of people as an organic unit from the modern concept of *demos*, which has individuals as its foundation. What creates a European *demos*, is European-wide deliberation about adequacy of policy choices and this requires an integrated polity, which needs to be constructed. A European Constitution must therefore focus on setting up structures for European-wide policy deliberation.

These are the four theoretical points constituting the framework that Collignon uses to build his argument in the remaining chapters. Thus, in Chapter 4, the author elaborates on his earlier claims in the third and fourth point. He propounds that a European Constitution has normative content that must reflect the fundamental values of modernity as they have arisen from Europe's history. In Collignon's account of history, this would entail the primacy of the republican values of freedom and equality over fraternity. In Chapter 5 the author elaborates on the two types of inefficiency he distinguished when making his first point, and shows how to make trade-offs between the two. When making a typology of collective goods, defining them by their externalities, and explaining how the logic of collective action (and free-riding) works, Collignon is at his best. He proves that the efficient assignment of policy competences does not depend on taste, but on the nature of the collective good. In Chapter 6, on what he calls "the elusive policy mix", he further develops this point. Though the last chapters are thought-provoking – and particularly Chapter 7, containing Collignon's own practical suggestions on how a future European Union should look like – I will not discuss them. Instead, I will take issue with some of Collignon's assumptions and theoretical points. These are, so to say, Collignon's "constitutive rules".

First, Collignon's aim was to produce logical arguments, because he believes that intellectual coherence is a *necessary* condition for sustainable and enduring policy-making. Even if one assumes that this is true, one is left with a sense that this condition is by no means sufficient (as Collignon himself admits *a contrario*). The rationalist bias that pervades the whole book makes it one-sided if consistent. Second, Collignon's argument is based on the theory of *federal* fiscalism. Thus, he imports a whole set of assumptions into his argument from the outset. Logically, indeed, these federalist assumptions must lead to certain conclusions, but why should we agree with the assumptions in the first place? What about the *sui generis* nature of European integration? Third, Collignon is concerned with developing a European Republic *endogenously*. But what logic forbids us to weigh in exogenous factors more heavily? Even where he takes into account such factors, they are interpreted in terms of an inside-out approach. Such an approach is concerned with the question of how one can be part of a bigger whole (like a European Republic), whereas an outside-in approach starts with the whole and takes it from there. Why choose one to the exclusion of the other? Is not every part also a whole in itself, depending on the perspective one takes?

On the whole, Collignon seems to have a problem with the concept of a *whole*. He associates it with homogeneity, fraternity, communitarianism and holism, and believes that these principles should be dominated by the respective principles of heterogeneity, freedom/equality, universalism and individualism. Collignon subscribes to Dumont's notion that

while in every society both principles, holism and individualism, coexist, what matters is their mutual articulation, which makes one principle dominate whilst containing the other (see Dumont, *Essais sur l'individualisme. Une perspective anthropologique sur l'idéologie moderne*. Paris: Editions du Seuil, 1991). This notion is at odds with a balanced view that gives equal weight to the whole and its parts by recognizing that both concepts are Janus-faced. Such a view has nothing to do with domination of any kind, but rather with some notion of checks and balances.

Whatever one may think of the argument that Collignon develops and the conclusions he draws, his approach is both original and remarkable.

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