

## Sovereignty, Democracy and the Euro

The Queen's head on the pound note is a symbol of British sovereignty. By giving up the pound, would Britain lose its sovereignty? Does it matter? In this paper I will discuss two concepts of sovereignty and how they are related to modern democracy. I will argue that a single currency requires a European democracy as the next step in European integration. By joining the Euro, Britain could make a great contribution for a more democratic Europe.

## **Two concepts of sovereignty**

The meaning of sovereignty is extremely controversial. Two concepts dominate the debate. The traditional, pre-democratic notion defines sovereignty as a property of the King's authority that allows him to be the ultimate law-maker of last resort. The King had the ultimate authority to appoint agents of power - ministers and governments and courts - who would make and execute laws, hopefully in the public interest.<sup>1</sup> The source of this authority was derived from divine will and could not be questioned by men. Individuals were "subjects", not "citizens"; society was structured hierarchically. The English Revolution broke with this concept. Parliament challenged the King's authority. The House of Commons was to "represent" ordinary people, although the modern democratic principle of representation by universal and equal adult franchise became only fully accepted after the Second World War.

The modern conception of sovereignty was formulated with utmost clarity by the American and French revolutions. "We, the people" became the sovereign. Not divine will, but the Social Contract between all individual citizens was the source of modern sovereignty. As partners to this Social Contract, citizens were bound together by rights and obligations and they could appoint a government as the agent to execute their common will. "Representation" was no longer the symbolic presence of the nation in the person of the King, but the title of attorney to act on behalf of the owners of public goods.

This modern concept of sovereignty was grounded in the economics of markets and the monetary economy. Commercial transactions were often made "on behalf" of groups of investors. The development of banks and financial contracts propagated the idea that free and equal individuals could negotiate the terms of their commitments. The emergence of the monetary market economy therefore laid the ground for replacing traditional values of hierarchy by a new vision of individual freedom. At the same time it transformed the concept of the nation: the enlarged tribal family with the King as the patriarchal authority became a society where individuals had trust for each other and felt their national identity. This change reflected

<sup>1</sup> The eternal debate about corrupt governments is precisely caused by the perception that political agents serve themselves rather than the common good.

the new economic culture of financial contracts which were based on trust (“My word is my bond” was the motto of the Stock Exchange). We are more likely to trust people who are “like us” and distrust the foreign. The Queen on the pound note symbolizes both – the relation of trust among her subjects and of national identity.

### **Sovereignty and the idea of democracy**

But trust is not enough. It needs to be backed up by law. The modern nation state became the synthesis of trust and law. It required a coherent form of government. Not by coincidence did the world’s largest customs union with its common market and single currency unify its system of government in the early 18<sup>th</sup> century: The Articles of Union, which enacted the United Kingdom in 1707, stated in paragraph 3 “that the United Kingdom of Great Britain be presented by one and the same Parliament, to be styled the Parliament of Great Britain.”<sup>2</sup> Can Europe with its common market and a single currency avoid a similar destiny?

The Union of England and Scotland in 1707 was still far from a democracy. Efficiency may have called for one government; but such an institution also needed legitimacy. Ideas of democracy had barely started to emerge. John Locke had been dead for only 3 years. The transition from the traditional to the modern concept of political sovereignty was a painful process and the controversy still inspires the debate about Europe. No country has made a greater contribution to this transition than Britain. She has shaped the most fundamental ideas in modern political philosophy and put them into historic reality. The repressiveness of the old hierarchical concept of sovereignty during the Restoration period led John Locke in the late 17<sup>th</sup> century to challenge the Tories and formulate the founding principles of liberal democracy. Without these ideas, the American Revolution would have been unthinkable and without Jefferson the *Déclaration des Droits de l’Homme et du Citoyen* of 1789 could not have set the tone for the next 200 years of struggle for democracy.

Today, we take democracy for granted. The fall of the Wall in Berlin, the disappearance of the communist empire, the emergence of a

<sup>2</sup> Neil MacCormick, 1999. *Questioning Sovereignty. Law, State and Practical Reason*. Oxford University Press

global market economy have established the principles of modern democratic governance as the undisputed foundations for a modern society. While some countries, most prominently China, fight rear guard battles, the direction of history is clear. But the struggle for democracy is never over. September 11<sup>th</sup> stands for the challenge of modernity by traditional fundamentalism. And even in Europe all is not well. Populists distort democracy in the name of democracy and Eurosceptic Tories all over Europe seek the return to narrow nationalism. The European Union is in a profound, structural crisis. At its root is the growing democratic deficit.

### **European democracy?**

The rejection of the Lisbon Treaty by referendum in Ireland, following similar defeats of the Constitutional Treaty in France and the Netherlands carry a clear message: European citizens want a different Europe. Dissatisfaction is growing about the lack of democracy in Europe. Even profoundly pro-European citizens have voted against Europe, because they fear that the EU is heading in a direction they do not understand, approve, or control. What European citizens want is a more democratic Europe.

Politicians and intellectuals often explain the democratic deficit by the distance between European institutions and ordinary citizens. Multinational bodies, they claim, lack the grounding in common history, culture, symbolism and trust, on which most national polities draw. They recommend decentralization and subsidiarity as remedies. If their arguments were right, we should expect massive voter turnout in local elections and less at national elections. The opposite is the case. This analysis of political disenchantment misses the essential point of modern sovereignty, which is that citizens have the right to choose and appoint a government to manage their common public goods.

The democratic deficit reflects the fact that citizens are losing the sense of being the ultimate authority for political decisions. Technocratic decisions and *la pensée unique*, which Margaret Thatcher called TINA (There Is No Alternative), seem to make it irrelevant what people vote for. And most importantly, in

Europe more and more policy decisions have become subject to intergovernmental compromises at the European level, which cannot be undone or even amended by democratically elected parliaments at the national level. National democracy is hollowing out because policies are made “in Bruxelles”, but there is no democracy at the European level. Hence, citizens are no longer the ultimate collective law-maker. Governmental bureaucracies are. Governments are claiming to be sovereign, at the expense of “their” citizens. It is as if citizens belonged to governments (as earlier they belonged to the king), instead of governments belonging to citizens.

Following a line of juridical thinking that goes back to anti-democratic thinkers like Carl Schmitt, the German Constitutional Court has argued in its decision on the Maastricht Treaty, that there can be no democracy in Europe because there is no European people, no *demos*. This line of thinking values the feeling of identity higher than the rational interests of citizens. It has brought nothing but trouble, war and disaster to European history. We cannot build a peaceful Europe on tribal feelings of identity.

### **The European Commonwealth**

A modern and democratic approach to Europe defines competences for jurisdictional levels of policy-making by the externalities of public goods. It views citizens not as subjects of their community but as the ultimate owners of public goods. “We” own public goods that affect “us”. Citizens do not “belong” to their community, but the community is defined by the group of citizens who are potentially affected by the public goods which belong to them. This is what English political thought has so beautifully described as the *Commonwealth* and what the French idea of the Republic, the *res publica*, has echoed.

European citizens are the owners of different public goods, some of which are local and affect them in their immediate vicinity, others at the level of their nation and some have shared consequences for all Europeans. For example, hospitals are local public goods, education is a national public good and the European economy is a public good owned by all those who live in the European Union.

The introduction of the Euro as a common currency to all citizens has significantly increased the range of European public goods. All citizens in the Euro Area are affected by European-wide inflation, interest rates, and the exchange rate to the dollar. They are concerned by policy decisions that affect these economic variables.

As owners of public goods, citizens in democracies appoint governments as their agents to administer these goods in accordance with their preferences. Because they are affected by the consequences of policy decisions, they must have the right to choose between different policies and to revoke their agent if they so wish. But making collective decisions requires also structures and institutions that allow them to deliberate together on what policy decisions serve their interests best. Hence, if different public goods affect citizens at different levels, they must also be able to appoint different governments to administer these goods at each level. They must deliberate together before electing their government and this requires politicizing policy-making at the European level.

National governments cannot administer European public goods efficiently, because they do not represent European citizens who are the collective owners of European public goods. National governments draw their legitimacy from a limited local constituency and they are chosen for issues that have little to do with Europe. The European Council, as the ultimate decision-making body in Europe cannot be revoked by all those European citizens, which are concerned by their decisions. If England once had a Long Parliament, the European Council is like a Permanent Parliament. Who would seriously claim a system to be democratic, that appoints its representatives only by by-elections without ever calling for a General Election?

### **A European government**

For half a century, European integration has progressed at an extraordinary pace. It has created more and more public goods that have increased the wealth of citizens. Today, these public goods need to be managed, and they need to be managed well. This is a matter of interest, and not of feelings. It has nothing to do with national

identities. Conservative mainstream politicians seek to re-legitimize European integration by strengthening policy coordination between member state governments in order to produce better results (“deliveries”). They do not understand that the voluntary policy coordination between 27 governments makes attaining good results, rather than compromises based on the smallest common denominator, increasingly difficult, while at the same time it contributes to the deepening of the democratic deficit.

A modern conception of sovereignty requires that citizens can appoint an agent, a European government, which takes care of their interests as European citizens. Just as the European Economic Community required monetary union as its complement, so does the Euro call for a European political union with fully democratic structures, where citizens are the sovereign, not governments. It calls for Europe of citizen *in lieu* of l’Europe *des nations*, which still dominates conservative thinking from Sarkozy to Cameron.

Traditional concepts of federalism do not provide a solution to Europe’s crisis of legitimacy. Under the label of subsidiarity, federalists demand more decentralized decision-making, arguing that people “belong” to local and cultural communities, in which they find their identity. For these supporters of “*Europe as a Federation*”, the European crisis is due to an excessive centralization of policy making at the European level. They do not understand that 50 years of European integration has produced a high degree of interdependence between EU member states where policy decisions made by one government have external effects for citizens in most or all other member states.

Euro-nationalists, who sympathize with the European Federalist Movement founded by Altiero Spinelli in 1943, emphasize the need for creating a European sense of community and identity by focusing on what unites European citizens. Yet they have remained powerless because they do not transcend the communitarian perspective of belonging and identity; they only seek to replace one idea of community by a different one (European rather than national). But the annoying reality is that people continue to define themselves in national terms before they accept their European identity. European

federalists lack a clear criterion for justifying why and which policy decisions should be delegated to the European level.

Thinking of the European Union with its single currency as a European Commonwealth enables us to overcome today's legitimacy crisis of the integration project: it allows a unified approach to producing results in the interest of all citizens. It puts citizens firmly in charge of defining these interests and controlling the government that acts on their behalf.

In concrete terms, the European Political Union (EPU) would have to be based on a new Constitutional Treaty, which supplements the existing Treaty of the European Union and delimits European public goods from national public goods. It must provide the instruments for efficient and democratic policy making in the EU.

As the former Belgian Prime minister Guy Verhofstadt has pointed out<sup>3</sup>, the logic of public goods, which affect all citizens across Europe, would require a European government responsible for policy making in the following domains:

- Macroeconomic management of the Euro Area, including the European budget
- Large European projects for technological research and development
- A single European area of justice and security to fight crime more effectively
- European diplomacy
- A European intervention force

All other policy areas should remain under the competence of national governments because they do not cover all citizens jointly. Of course, in cases of significant partial externalities, national authorities and the European government must assume their joint responsibility for policy making (shared competences).

The EPU would need to have a democratically elected government. In concrete terms this implies:

- Upgrading the European Commission into a European executive

- Electing the President of the Commission by the European Parliament and not by the European Council
- Giving him the power to formulate the broad policy orientations and to appoint other Commissioners to policy portfolios that administer European public goods
- The European Council remains the organ through which member state governments express their legitimate interests. The European Council serves as the second chamber in the legislative process of the EPU.

Are these demands ambitious, even too ambitious, for Europe? Maybe. But they are derived from the norms and principles of modern democracy – and there is hardly a European citizen who would question these values. Trying to duck the issue will only reinforce the dissatisfaction with European integration and is contrary to citizens' interests.

Is it counterproductive to raise these issues in the UK today, when joining the Euro is just barely re-appearing on the agenda? I do not think so. Joining the Euro means joining a monetary economy where the nature of policy externalities will significantly increase. It will create new bonds of trust among citizens. Sharing the same currency, operating in a large single market is creating new interests shared by ordinary citizens. As Jean Monnet said: "We do not create coalitions between governments, we are uniting human beings." With the substantial increase of private contractual relations across borders in Europe, national identities become less important. The issue of the European social contract has now become unavoidable. More than any other country, Britain has shaped our modern understanding of the social contract, of freedom, equality and democracy. It would be a shame for all of us to miss the opportunity of building a democratic and modern Europe together.

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