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2019

Online at <https://mpra.ub.uni-muenchen.de/107041/>  
MPRA Paper No. 107041, posted 19 Apr 2021 06:52 UTC

# Deepening the single market and enhancing EU democracy: A justification for ‘more Europe’

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## **Abstract**

The need for ‘more Europe’ stands out today in an international environment that is contaminated by populism, authoritarianism and demagogy. Consequently, when confronting political radicalism, the domains that the EU should henceforth concentrate on in a positive way must be specified, explaining practically and with pragmatism the reasons for ‘more Europe’. In particular, the EU must deliver concrete benefits that citizens can see in their daily lives, but, at the same time, it has to give them more democratic control over their representation in EU bodies and in the way EU law is shaped and implemented. To accept such progress, the EU must first recognise the critical flaws in its current economic and political architecture, before proceeding to adopt policies that will adequately restore the dynamism of the European dream, leading to a more efficient and just EU. More democracy will help gather support, and ensure renewed progress towards a closer Union in which the single market is meaningfully deepened.

## **Keywords**

Institutions, European unification, Convergence, Europe, Radicalism, Populism

## **Introduction**

European unification is currently facing challenges that seriously threaten its future prospects. The Union’s political and economic success is increasingly being questioned, not only by leaders but also by large numbers of European citizens. Political discontent usually

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follows economic stagnation, and while parts of Europe are still enjoying prosperity, enthusiasm for a 'United Europe' seems to have waned, with the elderly, especially, longing for a restoration of sovereignty (Raines et al. 2017, 29). The inability of Europe to promise growth and increasing prosperity for all is directly linked with the slowdown in the deepening of the single market, as the first politically easier victories of the project have largely exhausted their immediate potential to enhance the prospects of Europe. However, at a time of increasing Euroscepticism, it appears to be difficult to muster the popular support needed to advance the deepening of the Union in ways that will offer the needed growth. This deadlock has led to uncertainty, which is further undermining the growth prospects of the Union and, consequently, of its member states.

Europe jumped unprepared into the single currency, following the 'Monnet doctrine', which assumed that challenges would be dealt with along the way. In its preamble, the 1957 Treaty of Rome expressed a determination to 'lay the foundations of an ever closer union among the People of Europe', a notion repeated in all subsequent treaties, along with the commitment to respect the core values of Europe. This approach reflected a realistic way to launch a process that at the time primarily aimed to place post-Second World War, democratic Europe on a path to closer political and economic relations. It also aimed to put Europe on a path of reconciliation, while taking into account that should the path take Europe towards Spinelli's federation, the process would surely be long and unpredictable. While praise for Europe during its early days of success certainly helped, it facilitated the postponement of a frank discussion on how the Union should evolve, thus setting the stage for many of the challenges the EU faces today. The 'closer Union' advanced for many years along these lines and did not threaten the domestic equilibria of power within the member states. The way European integration progressed allowed those who, rationally from their point of view, oppose 'closer Union' to boycott and slow down the idea at every step.

Even today, discussion of a viable path for Europe focuses on choices that will determine if a connected car can drive across Europe or a drone can be operated by multiple countries, as envisaged in the recent White Paper (European Commission 2017, 17, 19, 21) that follows up on the 2015 *Five Presidents' Report* (European Commission 2015). Such stasis allows European leaders once again to avoid the tough question of what 'more Europe' should mean. Indeed, is 'more Europe' defined by Eurobonds and a minimum guaranteed income or unemployment benefit? Would such security offer an answer that will satisfy our trembling hand as we choose between the 'transfer Union'—a more federal Europe with solidarity—and the 'vengeance Union', in which those member states that cannot meet certain high standards are excluded from the culminating steps of 'closer Union', or are threatened with fines, draconian policy programmes or even expulsion, be it full or partial.

This article argues that 'more Europe', in the end, has to include at its core the smooth convergence of national regulations and administrative practices towards a common standard. Today this convergence is still uneven in terms of basic dimensions that do not infringe on the principle of subsidiarity. This is preventing the single market from living

up to the potential it has to improve the lives of the citizens of Europe. Furthermore, it is limiting opportunities for growth and depriving businesses in many member states of the opportunity to compete on equal terms with those of other member states that offer a better business environment. We argue that ensuring such convergence is necessary to secure the growth that will once again demonstrate that a common European future is a guarantee not only of peace and stability, but also of prosperity. So, if Europe wants a future, it is high time we seriously discussed what Europe is, what it should be and the exact meaning of more or less Europe.

## **Political uncertainty and economic underperformance**

This much-needed discussion should begin to take place despite the seriously unfavourable political and economic environment. Europe's political uncertainty is getting worse, and the reasons for worry have multiplied with Brexit. Spain is probably heading towards new elections as the minority socialist government is unstable, while the Greek economy is trapped in an unfortunate insufficient reforms—mediocre growth—lack of demand equilibrium. German Chancellor Angela Merkel is expected to step down in the coming years, and Italy's political radicalisation and clash with the EU may further destabilise the 'too big to fail' Italian economy. And this is without mentioning French President Emmanuel Macron's serious problems with the *Gilets Jaunes*. Dangerous waters are not, of course, restricted to the political arena. Over the past decade, EU member states have continuously underperformed economically despite some glimpses of recovery. This has created chronic problems such as high unemployment and rising inequality (OECD 2017, 6). Economic stagnation, in turn, has spurred discontent about Europe among citizens, propelling voters to political extremes, and leaving member-state societies hugely divided and polarised.

As a consequence, capital expenditures have slowed over the past several years, as there is little incentive to invest in a continent that is facing so much uncertainty. To make matters worse, structural divergences among member states, as well as institutional weaknesses, have further eroded voters' belief in the European project. In a nutshell, the institutional structural weaknesses of Europe in general, and the euro area in particular, are not just limited to the fact that a satisfactory level of supranational coordination of national structural and fiscal policies has not been achieved. There are also other pervasive shortcomings that continue to deprive the common currency area of a market with a level playing field in which government interventions are uniform and bureaucratic, and administrative barriers and costs are kept under control.

This structural weakness of Europe relates directly to a failure to handle, in a practical way, the diversity of institutional maturities and capacities among member states. The importance of the relationship between institutions and economic performance is well documented, including in research by political economists Mancur Olson (1982), Douglas North (1990) and, more recently, Daron Acemoglu and James Robinson (2015). The literature offers plenty of insight into how national political equilibria are formed by the political system of each country, and into who the national players are

that benefit from such inherent structural weaknesses, which are reinforced due to the dominance of national decisions regarding structural and fiscal policy. Within the EU, these concerns are not only relevant when weaknesses imply the reduced ability of a country to govern itself well. Rather, the disparities in institutional quality among the member states mean that policy coordination cannot work beyond a certain point, and this concerns all dimensions of policy (fiscal, monetary and economic), as eloquently stressed by Mario Draghi (2014) in his University of Helsinki speech. In turn, this eventually exposes the limits of the current European structure, which has the mission, in principle, of resolving disputes between member states and supranational entities (Mitsopoulos and Pelagidis 2017, 69–88).

The inability of Europe to enforce EU law across all member states in a uniform and efficient way is closely linked with the inability to advance the deepening of the single market in recent decades at a pace that can ensure continuing growth and prosperity across the Union. Acknowledging this, and that the existence of an effective dispute-resolution mechanism is necessary to ensure that when tensions arise the permanence of the Union is not put at risk, is the first step towards understanding the root causes of the situation that the Union finds itself in.

Regarding fiscal policies in particular, it is acknowledged that all monetary unions need a common macroeconomic stabilisation function to deal with shocks that cannot be managed at the national level alone, as once again stressed by Mario Draghi in 2014. The *Five Presidents' Report* (European Commission 2015, 14) sees such a capacity 'as the culmination of a process of convergence' and as paired with the 'further pooling of decision making on national budgets'. For economic policies in particular, the report suggests that the capacity of the system of Competitiveness Authorities it proposes could be extended beyond tracking wage competitiveness. The proposed structure, given what exists and is proposed, exhausts the capacity of economic policy coordination that, based on both the principle of subsidiarity and the principle that national parliaments implement economic policies as enshrined in the Treaty on European Union, has been the working principle of the EU since its inception.

On the other hand, 'convergence in institutions', especially at the national level and with respect to the institutional and administrative capacity of member states to adhere to the 'minimum high-level standards' that are needed to ensure the single market's success, has not been a direct target of determined EU-level scrutiny, even if it is mentioned in the *Five Presidents' Report*. In particular, the quality of national institutions and the corresponding economic structures that are the focus of optimum currency area theory had been missing from this exercise, but have now been recognised as a key prerequisite for sustainable income convergence (European Central Bank 2016). It appears reasonable to argue that the transition from policy coordination to common decision-making in the economic and fiscal spheres must be based on an evolution of existing EU law and practices. But the current proposals definitely fall short of Mario Draghi's (2014) call in Helsinki for 'sovereignty over relevant economic policies, and in particular structural reforms, to be exercised jointly'.

## **Political margins are gaining ground**

In the meantime, forces from the political margins are gaining ground in the post-truth era, and many pundits think that the path to global integration has stalled. We see it differently. The schism in societies that is currently underway, even in prosperous Western democracies, is more of a victory for globalisation than a defeat. Globalisation has broken the nationalistic backbone of European societies, and we are only now experiencing the dramatic consequences. In other words, those who are working well with, or at least are willing to work with, globalisation are clearly decoupling from the archaic part of their national ethos. Resentment among globalisation's losers, on the one hand, and contempt among the winners, on the other, dominate the current climate.

European integration, through both the single market and the common currency, has been at the forefront of this process, which is why the European dream is now so unpopular among EU citizens, especially the 'left behinds' (Fukuyama 2018). In other words, the EU project works well for the mobilised, but the free movement of goods, people and capital leaves behind those who cannot follow. Readers familiar with basic economics will notice that this process is almost inevitable. Free trade is not a zero-sum game, but leaves behind losers. Pro-European political forces would say that it is Europe's responsibility to take care of the 'forgotten' by using a social safety net. But for this to be possible in an era of 'race-to-the-bottom' global capitalism, Europe needs major institutional changes.

Elevating 'European democracy' and 'European competences' amidst rising populism is essential to preserving Europe's democratic foundation. Communicating such changes to citizens in ways that they can accept is vital in an era when the dichotomy between national and supranational competences seems to be widening. This is particularly critical at the moment as Europe faces elections in 2019 that have been dubbed 'the next battle for Europe' (Koerner 2018), in which the EU will struggle to restrain rising populism amid massive national political turbulence, particularly in France and Italy.

## **What has to be done?**

In this context, it is critical to consider reforms aimed at increasing the voice of European citizens (Mitsopoulos and Pelagidis 2017). It may also be time to enforce localism as a way of promoting democratic decentralisation while avoiding a further weakening of the European unification project.

While democracy is rooted in the European treaties, and in the national constitutions of the member states, there are no minimum qualitative standards for European and national democracies. Such standards, though, could be useful and desirable in two ways. First, they could make democracy more visible to citizens, and make them feel in control of the destiny of Europe and, by extension, their own destiny. Second, they are necessary to convince European citizens to accept the needed reforms that will deepen the single market and enhance the growth prospects of the Union. While making this point, it is also

appropriate to recall that the draft European Constitution was rejected largely because its complexity did not communicate clearly to citizens how they would remain in control of European democracy.

Two initiatives would fundamentally enhance European democracy:

1. Give citizens more power when they vote for the European Parliament. Move away from the current national election rules that only permit closed lists, as is already the case in an increasing number of member states, and open them up to allow voters to select individuals even if they belong to different parties, as is allowed in Ireland. A lower standard would be to make sure that all member countries have at least partially open lists, with voters allowed to choose from a predetermined list of candidates for each party.
2. Improve further upon the current nomination process for the president of the European Commission through the Spitzenkandidat process. One such improvement would be to allow the direct popular election of the Commission president, followed by her or his automatic nomination in the absence of an opposing majority from the European Council. Having been granted such further enhanced legitimacy, the president should have an increased say in the selection of commissioners. One way to achieve this could be to allow each member state to suggest a short-list of two or three candidates, from which the president then selects one candidate to put forward for confirmation. Today the president simply selects the portfolios of each commissioner proposed by each member state, before submitting them to the European Parliament for confirmation. Such a visible and substantial democratic mandate for the Commission would be a useful enhancement of its mandate as guardian of the treaties.

The above two changes could materially increase the quality and power of the democratic mandates that the legislative body of Europe and the European Commission receive. This is because through this increase in both the quality and the quantity of the democratic mandates, the existing border between national and supranational competences would be moved as far as the precedence of laws and case law could justify. In particular, should a member state be taken to the European Court of Justice and convicted of not properly harmonising national legislation with EU law, European law could automatically take precedence over national law and bind the national administration.

## **Conclusion**

The current age is one of increased populism and of the suffocation of democracy (Browning 2018). Both are a result of the perceived failure of Europe to deliver what it promised to a substantial share of its citizens. Thus, at this time it is crucial to address head-on the faults in the design of the 'United Europe'. The 'kicking the can down the road' mentality that created this apparent impasse cannot be part of the solution for the problems it helped to create. Ensuring that EU citizens benefit increasingly and visibly

in their daily lives from the high quality of EU institutions, as they rectify the weaknesses of national institutions, is the only response that can restore the popularity of the European idea. This is especially true in the institutionally weaker member states. But it needs to be paired with a decisive, Hamiltonian-style move to give EU citizens more visible power over Europe (Cliffe 2018). In particular, European citizens need to see more clearly the connection between their voice in the elections for the European Parliament and the formation of EU law, and their voice in the election of the European Commission and the implementation of these laws at the national level in a way that overrides the domestic political equilibria supported by those that oppose the deepening of the single market in favour of their own vested interests. Such a step would imply meaningful progress towards a 'closer Union'. It would ensure, in the case of disparities, the precedence of economic policies that have been decided jointly, and that deadlocks between national and supranational entities could be resolved through the enforcement of EU law at the national level, rather than through measures such as threats of expulsion or the imposition of fines. Having placed economic policy on such a path, fiscal and monetary policy challenges would also ultimately be easier to tackle.

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