From a Deficit of Democracy to a Technocratic Order: The Postcrisis Debate on Europe

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Abstract

The political problems of democratic legitimacy related to the construction of the European Union have mutated deeply during the crisis. The survival of the Eurozone has exacted a high toll on democratic principles. National representative democracy has been weakened due to the imperatives of economic integration. The technocratic elements of European integration (independent agencies, binding rules on economic matters) have expanded dramatically in scope. In the past, the technocratic dimension was circumscribed to efficiency-enhancing policies; during the crisis, it has been extended to issues with clear distributional consequences (such as the burden of adjustment between debtor and creditor countries). The resulting paradox is that in a time of growing "politicization" of European affairs, the technocratic bias of the European Union has "depoliticized" economic issues. This article reviews the recent debates about the tension between technocracy and democracy in the context of European supranational integration.

INTRODUCTION

In November 2011, in the midst of the Eurozone debt crisis, the representative governments of Greece and Italy were replaced by technocratic cabinets. In Greece, George Papandreu was removed after announcing his plan to hold a referendum on the conditions that were attached to the second Greek bailout. His successor was Lucas Papademos, a former governor of the central bank. In Italy, Silvio Berlusconi was ousted through a parliamentary maneuver, and Mario Monti (a former European Commissioner) was appointed to lead a technocratic government. Following his stint as an unelected prime minister, Monti ran in the February 2013 elections but only obtained 8% of the vote (as compared with the 25% share of Beppe Grillo's *Cinque Stelle* movement).[1]

During the crisis, the governor of the European Central Bank (ECB) sent letters to the prime ministers of Ireland, Italy, and Spain, in which he established quite explicitly the course of action that national governments should follow if they wanted to receive monetary help from the institution. The governor required the Italian government to privatize local services, dismantle collective wage bargaining, and reform labor contracts.[2] The government of Spain was requested to promote the rental housing market, increase competition in the energy sector, abolish the inflation-adjustment clauses in wage negotiations, and introduce a new labor contract "with only very low severance payments." The letter was dated August 5, 2011, and included this consideration: "in view of the severity of the financial market situation, we regard as crucial that action in the above fields be taken as soon as possible, but at the latest by end-August."[3] It is extremely doubtful that the "recommendations" made by the ECB, quite unrelated to monetary issues, were within its formal powers.

Four European Union (EU) member states (Greece, Portugal, Ireland, and Cyprus) required financial aid for their public sector. In Spain, the bailout only affected private financial entities. In all cases, however, bailouts came with heavy conditionality. A body with no legal standing, the so-called troika consisting of the European Commission, the ECB, and the International Monetary Fund, intervened in the internal policy making of the four rescued states. In retrospect, Jean-Claude Juncker, the current President of the Commission and former President of the Eurogroup, expressed his remorse during an intervention in the European Economic and Social Committee 505th plenary session (February 18, 2015): "We sinned against the dignity of the people in Greece, Portugal and sometimes Ireland" (**https://www.neweurope.eu/article/jean-claude-juncker-questions-troikas-democratic-legitimacy**). He was referring to the way troika officials had treated the national governments in the countries that required a bailout.

A not entirely surprising, though unintended, consequence of the Eurozone crisis has been the configuration of an embryonic public sphere and a growing politicization of European affairs. Issues such as financial rescues, the role of the ECB, the rules limiting public deficits, and many others related to the crisis became clearly visible in the political debate. The dramatic events around the Greek referendum of July 2015 and the subsequent reaction of the Eurogroup were perhaps the peak moment: The media and social networks were dominated during those days by the Greek crisis.

[1] See Hewitt (2013) for the political history of these events.

[2] The letter was leaked by *Corriere della Sera* on September 29, 2011 (**http://www.corriere.it/economia/11_settembre_29/trichet_draghi_inglese_304a5f1e-ea59-11e0-ae06-4da866778017.shtml**).

[3] The letter was first published in Rodríguez Zapatero (2013) and later uploaded to the web page of the ECB (**https://www.ecb.europa.eu/pub/pdf/other/2011-08-05-letter-from-trichet-and-fernandez-ordonez-to-zapateroen.pdf**).

Yet, the debate about the crisis has neither increased a feeling of European identity among the public nor improved people's views on the European Union. The paradox is that the growing politicization of European issues has coincided with the rise of technocratic powers that "depoliticize" economic policy. Under these conditions, the so-called permissive consensus that let European governments and bureaucrats manage the European Union has almost disappeared. Levels of trust in supranational institutions and support for the European Union have plummeted as the latter has played a much larger and more controversial role in the economic policies that have been imposed throughout Europe. The legitimacy of sovereignty transfers toward supranational institutions has been questioned, for fundamentally opposing reasons, in both Germany and Greece, to mention only the two most distant member states.

The resolution of the debt crisis in the Eurozone has exacted a high toll on democratic principles. Although the debate about the technocratic nature of the European Union had existed for a long time (Featherstone 1994, Majone 1996, Radaelli 1999), the crisis made that debate much more salient and dramatic. The troika's encroachment on the sovereignty of national representative governments has moved the whole discussion about the democratic deficit of European institutions to a higher stage. Beyond traditional concerns about the legitimacy of the Commission and the weakness of the European Parliament (EP) vis-à-vis the Commission and the Council of Ministers, the crisis has generated profound tension between supranational institutions and representative governments. The result has been a significant reduction in the scope of national democracy, particularly with regard to economic policy, in favor of a supranational technocratic order. Two main developments in EU politics are behind this reduction in national democracy.

First, distributive issues have acquired greater relevance compared to precrisis times, as attested by the bitter conflict over how to share the burden of adjustments necessary to keep the Eurozone functioning. Of course, conflicts of interest have always existed and formed the basis for the various compromises that were achieved by national governments on the steps toward economic integration (Moravcsik 1998); the novelty, however, has been that the European institutions themselves have taken sides in the distributive conflicts related to fiscal adjustments. In this case, the management of the crisis has been asymmetric, with debtor states in a position of full dependency on creditor states.

Second, the ECB has emerged as the key player. The ECB is a more technocratic and insulated institution than the European Commission; its unchecked power in a flawed currency area poses serious questions about who really rules in the European Union. Monetary decisions of the ECB have a direct effect on the economic and political prospects of member states. But insofar as the ECB is a nonelected, nonaccountable body, its political legitimacy is questionable. Apart from the extraordinary delegation of economic policy to an independent institution such as the ECB, we must add another device that also restricts the discretion of representative governments: fiscal rules (as embodied in the so-called Fiscal Compact signed in 2012). The constitutional entrenchment of economic policy at the European level is the other major ingredient of the depoliticization of European affairs.

Consequently, the traditional democratic deficit of the European Union has mutated. The combination of nonrepresentative institutions and binding rules on economic policy has created a strong technocratic bias. This bias has been particularly visible in the debtor countries, which have contemplated the impairment of their own national democracies by the systemic requirements of the Eurozone, resulting in a diminished form of democracy. Although the transformation has been deeper in debtor countries, it has nonetheless affected all European democracies, giving rise to a generic symptom that has been labeled variously in the literature: "democracy without choice" (Alonso 2014), a "democratic void" (Mair 2013), "democratic impotence" (Sánchez-Cuenca 2014), or, recovering Herman Heller, "authoritarian liberalism"

(Somek 2015, Streeck 2015). This malaise can be understood more broadly as a particular manifestation of the tension between the market and democracy in the times of globalized capitalism (Fishman 2014).

The description of the European Union as a technocratic order is pervasive in the related postcrisis literature (among many other possible examples, see Bellamy 2010; Habermas 2015, ch. 1; Majone 2014, p. 202; Offe 2015, p. 119; Scharpf 2015, p. 39; Schimmelfennig 2014, p. 326; Schmidt 2013, p. 19). In order to analyze the tension between technocracy and democracy in the postcrisis European Union, this article reviews several strands of literature, including the political economy literature on the crisis, studies related to public support for the European Union, and the literature on the democratic deficit of the European Union. In order to understand the political transformations of recent years, we need to take into account the economic and political divisions that the crisis has created as well as their impact on public opinion. All these changes require an update on the nature of the democratic deficit. Following much of the contemporary literature, it is concluded that the policies implemented have been functional for the maintenance of the monetary union, but this has been achieved at a high cost to democratic ideals.

Before I start the discussion, a clarification is in order. This article does not deal with positive theories about European integration. Of course, references to that literature are scattered across the pages because it is important to get a clear view of the transformations that the European Union has suffered as a consequence of the crisis, but the main emphasis is on the democratic underpinnings of the European Union. Hence, the disagreements among the authors reviewed here stem ultimately from their conceptions of democracy and how these conceptions should apply to the various dimensions of EU politics.

THE TRADITIONAL DEBATE ON THE DEMOCRATIC DEFICIT

As the European Union is a singular political entity, its democratic credentials have always been subject to controversy. Using Fishman's (2016) framework, the issue is not only the quality of European democracy but rather its "authenticity," that is, whether the European Union belongs to the genus of democracy. This debate depends on what sort of democratic requirements people think a supranational political order should satisfy. It is unclear whether the benchmark for evaluating EU decision making should be that of national democracy or whether a specific template should be invented for it. There is, therefore, an inescapably normative element in the different positions. The whole debate became more trenchant following the Maastricht Treaty of 1992, when the European Union expanded its powers significantly and gained greater responsibility over national economic policies. (Particularly influential works include Featherstone 1994, Majone 1996, Scharpf 1999, Schmitter 2000, Siedentop 2001, Weiler 1999. A thorough review of the debate can be found in Rodríguez-Aguilera del Prat 2015.)

The standard presentation of the democratic deficit focuses on institutional design and political competition (canonical presentations are those of Newman 1996 and Follesdal & Hix 2006). Regarding institutional design, the internal balance between the EU institutions does not mirror that of national political systems, and the interaction between the supranational and the national institutions is the source of unresolved tensions. Regarding political competition, which is the defining characteristic of Schumpeterian democracy (Mackie 2009), there is no real democratic quest for power at the European level. Three main complaints can be singled out.

First, it can be argued that the European Parliament (EP) is just too weak vis-à-vis the Commission and the Council. Apart from not having the legislative power of initiative, it also lacks fiscal powers, given the ridiculously small budget of the European Union (approximately 1% of the EU GDP).

Second, the transfer of sovereignty to supranational entities has meant a weakening of national parliaments vis-à-vis the executive. At the European level, the legislative initiative corresponds exclusively to the European Commission, a nonelected body. Moreover, national executives can use intergovernmental agreements to override the domestic resistance of national parliaments.

Third, there is no real political competition for power in European elections. The only elections are those for the EP, which is a minor actor in the decision-making process. Although much progress has been made in terms of constituting coherent political families in the EP, these elections are still "second order" (Hix & Marsh 2011, Reiff & Schmitt 1980) and are characterized by a lack of interest among the public as well as low and declining participation.

To redress some of these problems, reforms have been undertaken in successive treaties: the cooperation procedure in the Single Act, the codecision procedure in the Maastricht Treaty, and "codecision II" in the Amsterdam Treaty (see Hix & Høyland 2013 for a detailed review). Additionally, under the Lisbon Treaty, the European Council proposes to the EP a presidential candidate for the Commission, based on the result of the last European elections, and the EP has to approve it by a qualified majority. This mechanism is supposed to make the Commission more accountable to the EP and to raise the stakes in EP elections.

However, despite all the effort and ingenuity invested in these reforms, the democratic deficit has not vanished. The Eurobarometer public opinion series show that, despite its growing powers, trust in the EP is not that different from, and in any case follows the same trend as, trust in nonelected bodies (the Commission and the ECB), and no trace can be found of an impact of institutional reforms among the European public.

One obvious explanation might be that the malaise is not (only) institutional, or, to put it another way, that the institutional conundrum cannot be solved while some other, deeper problems remain. To assume that the challenge consists in establishing appropriate checks and balances among the various decision makers is to assume that the failure takes place at the institutional level. But the real difficulty is that there is not a European demos (there is not a "We, the European people") comparable to the demoi of the member states and, therefore, the political structure of the EU cannot replicate the structure of national democracies (Weiler et al. 1995). What makes a demos is the shared desire to exercise collective self-government, that is, the willingness of its members to make and to accept binding decisions.

Given this deficit of democratic will, in theory there is no way to democratize the institutional framework of the European Union along the lines of the traditional nation-state. Likewise, the absence of a European demos would help to explain why the European Union does not have fixed boundaries (with successive waves of enlargement that might eventually include Turkey), why there is not a European public sphere, and why European elections are still seen as "second order."

For federalist-minded observers, European peoplehood does not yet exist but is in formation, thanks to the spillover effects of the integration process. The Maastricht Treaty introduced the idea of European citizenship for the first time, which is a purely civic concept devoid of any ethnonationalist inspiration. The (failed) constitution of Europe tried to go farther, including a thicker conception of Europe in which, as the preamble said, "the peoples of Europe are determined to transcend their former divisions and, united ever more closely, to forge a common destiny."[4]

Because the national demoi are not ready for the requirements of an "ever closer union," the push for deeper integration has always come from the "enlightened elites" who, with the hope of

[4]The proposed constitution was not ratified, following negative results in the referendums of France and the Netherlands in 2005. The text can be found here: **https://europa.eu/european-union/sites/europaeu/files/docs/body/treaty_establishing_a_constitution_for_europe_en.pdf**.

triggering an irreversible process, have tried to overcome the successive crises of the European Union with more ambitious moves toward a unified Europe. However, the fact is that a European identity transcending the national demoi of the member states has not emerged. In each country there is a tiny minority of people with high socioeconomic status (businesspeople, professionals, academics, politicians, managers) who fully enjoy the benefits of European integration and who tend to see themselves as Europeans rather than nationals (approximately 2–4%) or as Europeans with a national identity (approximately 6–8%), but the vast majority of European citizens opt for a strict national identity or for a national identity with some component of Europeanism (Fligstein et al. 2012). Moreover, the time-series on European identity is extremely stable, casting some doubt about the dream of "an ever closer union."

Those who do not share the federalist illusion believe that attempting to fit the European Union into the Procrustean bed of national representative government is a hopeless exercise. Consequently, they either provide ad hoc models of democracy (Cheneval & Schimmelfennig 2013, Nicolaïdis 2013) or they conclude that, judged on its own merits, the European Union does not really suffer a democratic deficit (Majone 1998, Moravcsik 2002).

First, with regard to special models of democracy, it is argued that what makes the European Union unique is that democracy works on a plurality of demoi—hence the term demoicracy. In a demoicracy, the constituting demoi have the freedom to enter and to leave supranational arrangements that allow for common decision making based on principles of equality, nondiscrimination, mutual recognition, and deliberation. From this perspective, the main democratic weakness lies in the insufficient or inefficient effort made by national institutions to participate in European affairs and to establish adequate controls over the collective decision-making process.

Second, some authors contend that the democratic deficit vanishes when the European Union is analyzed not as a representative government but as a form of intergovernmental decision making (Moravcsik 2002) or as a form of regulatory governance (Majone 1998). For Moravcsik (2002), member states retain the ultimate locus of control over European institutions. Insofar as the states are democratic, they confer their legitimacy to the supranational institutions. Moreover, these institutions deal with complex, technical issues that raise little interest in European societies and that require some degree of insulation from the public. Majone (1998), in turn, thinks that most European policies are regulatory, are about technical issues, and are subject to the same mechanisms of accountability as national, nonelected agencies based on expertise. Precisely because there is not a European demos, redistribution at the European level cannot occur, so social policies remain at the national level, where democracy operates fully.

An interesting objection to Majone's thesis establishes that the division of labor between supranational regulation and national redistribution is not neutral (Scharpf 1999). According to this argument, the kind of economic regulation approved by European institutions negatively affects the welfare systems of member states. The European Union's competition law plus the restrictions on fiscal and monetary policy that stem from the Economic Monetary Union (EMU) restrict the capacity of states to sustain or to expand their welfare regimes. Based on this diagnosis, some scholars conclude that the European Union has an ingrained neoliberal bias (Menéndez 2013, Offe 2015). Streeck (2014) has developed and radicalized this argument; he sees the European Union transforming countries into "consolidated states" subject to a neoliberal order that, in the long run, will destroy the conditions that make the welfare state feasible.

This point will return in the section on the debate on technocracy in the European Union. For now, it is worth emphasizing that even if the arguments that downplay the scope of the democratic deficit were correct at the time they were first presented, they are not valid after the crisis. On the one hand, nonelected EU agencies now have a disproportionate power over national governments; on the other, these independent agencies have intervened in policy areas with obvious distributional consequences. In order to sustain these two points, this review first examines the Eurozone crisis and its impact on public opinion.

THE POLITICAL ECONOMY OF THE EUROZONE CRISIS

The voluminous literature on the political economy of the European crisis has reached a certain consensus about its nature. Analysts initially thought that the most severely hit countries were those that had engaged in some kind of fiscal profligacy during the boom, but it is clear that this hypothesis works only for Greece, not for Ireland and Spain, which showed fiscal responsibility. Rather, what occurred was a balance-of-payments crisis. The euro deepened the divisions between countries that exported capital and the countries that imported it, with the latter suffering much of the adjustment (Copelovitch et al. 2016, Iversen et al. 2016, Moravcsik 2012, Pisani-Ferry 2011, Sandbu 2015, Scharpf 2015, Sinn 2014, Wolf 2014).

During the first decade of EMU, growing imbalances between countries were hidden by fast economic growth and a strong euro against the dollar. Moreover, the economics embodied in the Maastricht Treaty established that the fundamentals to watch were fiscal deficit, public debt, and inflation, and these variables were performing reasonably well. The real problems, however, lay in variables that had been deemed irrelevant for the functioning of a currency union, such as the volume of private debt and current account balances within the Eurozone.

Western peripheral countries (those of Southern Europe—Greece, Italy, Portugal, and Spain—plus Ireland, represented by the acronym GIISP) borrowed excessively thanks to very low or even negative interest rates and imported massively, whereas the Central and North European countries accumulated huge current account surpluses thanks to their exports and lent too much to the credit-hungry countries. The euro, far from disciplining countries and generating economic convergence, exacerbated the differences between the European economies. Germany, which had a slightly negative current account balance before monetary union, became the largest exporter and lender in the Eurozone. Greece, in 2007, just before the crisis, had a current account deficit of 15% of its GDP.

According to the varieties-of-capitalism literature, there was a dual growth model within the Eurozone (Hall 2014, Iversen et al. 2016, Johnston et al. 2014). On the one hand were the export-oriented coordinated market economies of Central and North Europe, with efficient systems of skill formation, labor institutions that favored wage restraint, and tight fiscal and monetary policies. On the other hand were the demand-driven economies of the GIISP countries (France was in between the two models), with little wage restraint, rigid labor market institutions, and looser fiscal policies.

The tension between the two models became noticeable only when the financial crisis reached Europe. The differential impact of the crisis reflected with great accuracy the previously existing imbalances. This was not immediately obvious because during the first two years (2008–2009), when the economies entered into recession, they all followed the G-20's recommendations of stimulus through public spending, Germany being no exception. An apparently minor event, however, completely changed the situation. The new socialist government of Greece admitted in the fall of 2009 that the real public deficit was much higher than the official one, and this announcement generated doubts about the country's public debt. What started as a problem of liquidity ended as a solvency problem.

Still worse, there was rapid contagion: Investors' fears about Greece spread to other highly indebted countries in the GIISP group. Their situation was not so different from that of developing countries with a dollarized economy (they could neither devalue their currency nor print money to meet their financial obligations). The contagion might have been controlled had the ECB acted as a lender of last resort, buying debt in the bond markets. As De Grauwe (2011) showed, Spain and the United Kingdom had very similar public debt levels and trends, but the United Kingdom could issue public debt at a lower interest rate thanks to the institutional support of the Bank of England.

Given the deterioration of the debt crisis, in May 2010 the European institutions approved a bailout plan for Greece with strong conditionality (which included harsh austerity measures). Moreover, in that very month, an emergency fund of €440 billion to stabilize the Eurozone was created (the European Financial Stability Facility, replaced in 2011 by the European Stability Mechanism), forcing other Southern European countries such as Spain to make fiscal adjustments in the new context of austerity policies. Ireland was next on the list of GIISP countries to be bailed out, in November 2010, and Portugal followed in May 2011. In June 2012, the Spanish government accepted a bailout limited to the banking system. The last country to be rescued was Cyprus in March 2013. Meantime, Greece had to be assisted on at least two other occasions, in February 2012 and in July 2015.

Although the two models of growth were able to coexist during the boom years, they entered into serious conflict when crisis hit the European Union. The diagnosis of Copelovith et al. (2016, p. 827) is unambiguous: "with the exception of Greece, most of the costs associated with the foreign debts accumulated between 1999 and 2008 have been borne by the debtors, whereas creditors have largely been rescued by a series of European and national packages to limit the impact of the debt crisis on national financial systems." The creditor countries were in a position of economic power, so they were able to impose the austerity treatment on the debtor countries with no harm to their own financial interests. Although austerity has been analyzed critically as a sort of ideological fixation stemming from German ordoliberalism (in which the role of the state is not to intervene in the economy but rather to create a set of rules that guarantee economic stability and that generate the necessary confidence for investment) (Blyth 2013), it can also be understood as the sine qua non of coordinated market economies for the maintenance of their export-oriented model in a monetary union (Iversen et al. 2016).

THE EFFECT OF THE CRISIS ON PUBLIC SUPPORT FOR EUROPEAN INTEGRATION

The crisis had a deep impact on European societies in terms of unemployment, social dislocation, and welfare retrenchment. Insofar as the recession soon mutated into a specific crisis related to the debt problem in EMU countries, the European Union gained greater visibility than ever before. There were very intense debates, at both the national and European levels, about economic policy and the role of European institutions (see, e.g., Koopmans 2015 on the British debate and Grande & Kriesi 2015 on the German one). This intense discussion has contributed, if not to the creation of a truly European public sphere (with transnational media and citizens from different countries sharing the same sources), at least to what Risse (2015) calls in plural "Europeanized public spheres." The politicization of the crisis and the involvement of the European Union have created the conditions for a greater presence of European issues in national public spheres.

Ironically, this politicization has clashed with the growing "depoliticization" of economic policy in the Eurozone.[5] As shown in greater detail below, the delegation of policy decisions to independent agencies as well as the entrenchment of economic goals through binding rules eviscerates democratic politics. This contradiction between the politicization of European issues and

[5] Bourdieu (2002) argued that "depoliticization" is an essential feature of the globalization process.

depoliticization of economic policy helps to explain why the fragmented and still nascent European public sphere has been exploited by so-called Euroskeptical parties. As De Vries & Edwards (2009) show, whereas the far right rejects supranational integration because, in its view, it hollows out national sovereignty and identity, the far left objects to the supposedly neoliberal bias of the European Union. In both cases, however, it is the incapacity of the national government to redress the perceived shortcomings of the European Union that fuels Euroskepticism. During the crisis, Euroskepticism has grown substantially, obtaining 28% of the seats in the 2014 European elections (Hobolt & De Vries 2016, Treib 2014). This is its best result ever, showing that the crisis and its management have fostered strong antiestablishment attitudes. It seems (though an explanation is still lacking for this) that Euroskepticism has taken a right-wing, xenophobic stance in countries such as Austria (the Freedom Party of Austria, FPÖ), France (the National Front), the Netherlands (Party for Freedom), and the United Kingdom (UK Independence Party, UKIP), whereas its left-wing variety can predominantly be seen in Southern Europe (Podemos in Spain, Syriza in Greece).

Rather than opposing European policies, as national opposition parties would do in their respective parliaments, Euroskeptical parties express their discontent against the European Union itself, in a sort of antiregime protest. As Mair (2007) pointed out before the crisis, this behavior is a direct consequence of the absence of proper channels for office competition and opposition making in the European Union. Whether the European Union will be able to accommodate this kind of challenge into a more normalized opposition that recognizes the supranational order as a legitimate one is still to be seen and will depend on, among other things, its capacity to correct those technocratic elements that erode national sovereignty and representative government (see below).

Euroskepticism is but an extreme manifestation of a more general phenomenon of falling levels of public support for the European Union. Looking at the data on public opinion, it does not seem far-fetched to argue that the European Union is suffering its worst legitimacy crisis ever. Even before the crisis, there were signals that the "permissive consensus" that made the elites' push for further integration possible had been shrinking at least since the Maastricht Treaty. Hooghe & Marks (2009) have written that we have moved into an era of "constraining dissensus." As Hobolt (2015) has shown, citizens blame the European Union for the crisis, although this is compatible with the belief that the European Union is the key actor needed to overcome economic problems. These findings point to a critical but discriminating attitude, in which citizens are able to separate their negative views on how the European Union has managed the crisis from their broad support of the integration process. Likewise, criticism of the European Union does not imply rejection of the euro (Hobolt & Wratil 2015). Support for the euro has not suffered much during the crisis, and even in Greece, the most badly hurt country, the euro stills elicits broad majoritarian approval (Clements et al. 2014).

In order to assess the level of damage caused by the crisis, it is useful to review the Eurobarometer data on the European Union and its institutions. Overall, the series on trust in the European Union shows a steady decline between 2007 and 2014, the trend reversing from 2014 onward. Immediately before the crisis, in September 2007, mistrust was at 36%, and in September 2014, it reached 60%. From 2014, once the debt crisis was over and the economies of the Eurozone started to recover, trust began to increase again, but it has not yet regained precrisis levels. If specific institutions are analyzed, such as the EP, the Commission, and the ECB, an identical trend is observed, with the ECB being considered the least trustworthy institution. It is important to realize that trust in national institutions has followed the same pattern, including a certain recovery since 2014; in any case, mistrust in the national government or parliament tends to be even higher than mistrust in the European Union.

It seems clear, therefore, that institutional trust follows the economic cycle. However, a closer look reveals interesting variation. Consistent with the political economy literature reviewed in the previous section, the big divide in public opinion is that between creditor and debtor countries. Unfortunately, much of the empirical literature of recent years does not present the data separately for these two groups of countries, providing only an aggregate analysis (see, e.g., Braun & Tausendpfund 2014, Hobolt & Wratil 2015, Serricchio et al. 2013). There are, however, some exceptions (Alonso 2014, Roth et al. 2014) that show conclusively that starting in 2010, the series of the GIIPS and core countries with regard to indicators of institutional trust and satisfaction with democracy diverge systematically. In the core/creditor countries, trust in the national institutions and satisfaction with national democracy does not suffer much change; there is some fall in trust in the ECB and, more generally, trust in the European Union. In the case of GIIPS/debtor countries, however, there is a very significant fall in all indicators, both national and European, although European institutions resist better than national entities. To give one example, taken from Alonso (2014, figures 2 and 7): In 2013, in core countries, trust in the national parliaments and the EP was, on average, identical (between 45% and 50% for the two institutions). In GIISP countries, trust in the EP was significantly lower (approximately 30%), but nonetheless was still considerably higher than trust in the national parliament (only 10%).

The growing gap between the public opinion of debtor and creditor countries reveals the growing divide in economic interests. These diverging views follow from the distributional conflict within the Eurozone as well as from the partiality of EU institutions, which is closer to the interests of creditors.

HOW THE CRISIS HAS CHANGED THE NATURE OF THE DEMOCRATIC DEFICIT

The diagnosis of the European Union's democratic deficit needs to be updated in the light of the Eurozone crisis and its impact on public opinion (Hix 2015). Three aspects have changed substantially. From the least to the most important:

1. The crisis has reduced the performance-based legitimacy of the European Union.
2. The crisis has sharpened the distributive conflict among member states, reducing the plausibility of interpreting the European Union as a mere efficiency-enhancing regulator.
3. The resolution of the crisis has been strikingly technocratic, with little respect for democratic procedures at either the supranational or national level.

Here I comment briefly on the first two aspects, and in the next section I elaborate on the technocratic changes.

Let us start with legitimacy. According to Scharpf's (1999) well-established distinction, the two main elements of democracy are government by the people (what he calls input legitimacy) and government for the people (output legitimacy). Input legitimacy refers to self-government: Collective decisions have to be made by the people or their representatives on the basis of the majority principle or some variation thereof. Output legitimacy refers to effectiveness, that is, the capacity of the rulers to solve problems and to improve the welfare of their citizens.

Owing to the demos problem (see above), input legitimacy is underdeveloped in the European Union. Thus, integration has made progress through the elites' push, with little concern for the preferences of the people. The so-called "Monnet method," in which the elites move forward through treaties and agreements that are presented to the people as a fait accompli (Featherstone 1994), worked as long as integration was able to bring about growth. The 2008 crisis, however, abruptly ended a long period of prosperity, revealing institutional shortcomings in the common currency. The perception of EU effectiveness has been greatly diminished, eroding the output legitimacy of the system. And, as Scharpf (2015) has noted, the economic policies adopted to consolidate the euro have been imposed by sacrificing input legitimacy at the national level. The Eurozone was stabilized through the imposition of austerity policies that restricted the range of national choice regarding economic policy.

Second, the crisis has introduced a new distributive dimension in EU politics. It cannot be held any longer, as Majone (1998) did, that the European Union is simply a supranational regulatory regime designed to create an economic level playing field that produces efficiency gains in all member states. The policy decisions made during the crisis had an obvious redistributive component that did not exist in the past. As was seen in the section on the political economy of the crisis, the survival of the euro was ensured by making the burden of adjustment fall on countries with negative current account balances. The protection of creditors, however, was not written anywhere in the constitutive principles of the euro. As Sandbu (2015) has shown extensively, the response of the European Union to the crisis made a clear choice in favor of creditor countries. The countries that borrowed recklessly could do so only because some other countries lent excessively. Yet, reckless borrowers had to pay a disproportionate cost, while imprudent lenders did not suffer any loss (except in the second Greek bailout). The European Union could have forced a restructuring of the debt in the countries under worse financial conditions, which might have averted much of the acrimony generated by the rescue packages and their conditionality. But the guiding principle of the European institutions during the crisis was that debts must be repaid, whatever the cost to the debtor countries. This is not a neutral principle. It imposes a large-scale redistribution for which the European Union is not politically prepared—hence the dramatic fall in support for the European Union in the debtor countries, which were traditionally its most enthusiastic supporters because they assumed that the European Union would fix what was rotten in their national political systems (Sánchez-Cuenca 2001).

A democratic polity can cope with a crisis of growth and with distributional conflicts. Both are difficult problems, but they do not erode the nature of the political system. Technocracy, however, is an altogether different challenge because it questions the very essence of democracy. As I argue next, this is the most serious problem of the postcrisis European Union.

A TECHNOCRATIC ORDER

In an elite-driven project such as European integration, technocracy inevitably looms large. But before trying to make a diagnosis, a basic distinction must be drawn: It is one thing to resort to experts for technical issues in which efficiency is the main concern, and quite another to delegate to experts ordinary policy-making decisions in which distributional issues are not less important than efficiency gains. Technocracy is a democratic problem in the latter case. The main objection in such a case is that, if there are welfare or distributional consequences, collective decisions should be based on people's preferences and not on the supposedly neutral judgments of experts.

Because the European Union is responsible for many technical, if not arcane, issues that require very specific skills, the role of technicians and experts should be prominent. The main branches of the European Union have been dominated by expertise and professional standards, with legitimacy deriving from nonelectoral forms of accountability. The Commission is perhaps the quintessence of this: an independent, nonpolitical body, a kind of super-regulatory agency, with a mix of executive, legislative, and quasi-judicial powers (Majone 2014, p. 195). The Commission has links with more than 1,000 expert groups (Moodie & Holst 2014) that provide essential input in final policy decisions. As many of the issues that fall under the scope of the Commission have a technical and regulatory dimension, the production of rules can work within technical, efficiency-seeking parameters without eroding national representative political systems too much.

Had the role of the Commission or of other supranational institutions ended here, the debate on the democratic deficit would not have been so lively. But, as the literature on the European Union shows, there is room for arguing that besides the merely technical issues mentioned, the European Union has become a genuinely technocratic project.

Technocracy is a loose concept that has not attracted a systematic literature (see Radaelli 1999, ch. 2, for a review). In what is perhaps the most sophisticated analysis, Centeno (1993, p. 314) defines technocracy as a form of state domination characterized by an elite that seeks "to impose a single, exclusive policy paradigm based on the application of instrumentally rational techniques." This definition, however, is in a sense too sociological, with no mention of the political forms that technocracy adopts.

From a political point of view, technocracy, understood as "rule by experts," assumes that there are efficient solutions to political problems. Because it is not obvious that the people and their representatives will be able to find these solutions by themselves, it is concluded that the system works better if choices are left in the hands of those who have the necessary skills and knowledge. Specifically, technocracy can be characterized as political decision making by nonelected officials who are appointed because of their technical expertise.[6] This excludes, for instance, a military junta, whose members are not experts or technicians, and it also excludes judges in independent courts that make decisions on nonpolitical issues. The core idea of technocracy is that political decision making is "depoliticized" for efficiency reasons and insulated from the democratic process.[7]

Technocracy, thus, stems from a deep mistrust in democracy. In a very schematic way, we could say that there are three sources of mistrust, coming from social choice theory, liberal constitutional theory, and public choice theory. First, democracy is inconsistent in the social choice sense: Arrow's theorem, the chaos theorem, and other formal results show that voting may give rise to cycles, intransitive choices, and other imperfections that destroy the possibility of using the vote as a mechanism of preference aggregation [see Riker (1982) and Mackie's (2004) response]. Second, democracy is unreliable in the liberal constitutional sense because people are subject to transient passions and are vulnerable to demagoguery (Elster & Slagstad 1993, Holmes 1997). And, third, democracy is inefficient in the public choice sense because voters are short-sighted, ill-informed, and unable to evaluate complex issues, and politicians can be captured by special interests (Caplan 2007).

Given all these shortcomings, the technocratic solution consists in keeping large parts of the decision-making process away from democratic contamination. This can be done in two ways: by delegating the issue to independent, nonelected agencies populated by experts, or by establishing rules that reduce the politicians' discretion and force them to make choices similar to those that experts would have made had they been in power.

It can be argued that the large-scale growth of technocracy in the European Union started in the Maastricht Treaty of 1992, which established the framework for monetary unification. The same logic that had been applied to purely regulatory issues was exported to economic policy making. Interestingly, the basic institutional design of the EMU was created by a purely technocratic

[6]The debate on epistemic democracy or "epistocracy" in normative democratic theory is germane to the discussion on technocracy (see Estlund 2008).

[7]Pettit (2004) argues that depoliticization is not necessarily inimical to representative democracy. For instance, it makes sense, in order to grant democratic integrity, to leave decisions about the boundaries of electoral districts to a committee of independent experts. Although this issue cannot be fully discussed here owing to space constraints, it seems relatively easy to show that the kind of depoliticization of economic policy that has taken place in the European Union does not meet the criteria for democracy required by Pettit.

committee, under the supervision of the President of the Commission, Jacques Delors, formed by the governors of all the national central banks. The two mechanisms mentioned above were clearly visible. Regarding delegation, the ECB was created as a strongly independent central bank that would have full control of monetary policy. Moreover, the Commission would have significant monitoring powers over budgetary policy. Regarding rules, the Pact on Stability and Growth set limits for public debt (60% of GDP) and public deficit (3% of GDP). These figures were largely arbitrary, but they were intended to avert fiscal recklessness.[8] In order to induce greater fiscal discipline, Article 125 of the Treaty established that the obligations to repay public debt were exclusively national and could not be extended to other member states; this prevented any form of debt mutualization. During the first years, the rules fell short of a hard budget constraint: The violation of the 3% deficit rule by France and Germany did not trigger the sanctions that were supposed to be applied.

Compared with what came later, the Maastricht framework seems rather mild, although even at that time it created some deep political tensions. The French politicians were fully aware that the price for having some influence over monetary policy was to accept the technocratic arrangement demanded by Germany. Marsh (2011, p. 142) reproduces the indignant reaction of the socialist Minister of Finance, Pierre Beregovoy, who said in a meeting in Frankfurt: "No to technocracy. Yes to democracy! Central bankers have no right to be given higher authority!"

These tensions were buffered by the cycle of growth that followed the introduction of the euro. The crisis, however, brought to the forefront all the political contradictions between technocratic governance of the Eurozone and national democratic systems. Once the imbalances between the two growth models within the European Union became obvious, rules were significantly tightened and the Commission gained greater powers regarding coordination and supervision of macroeconomic policy (Schimmelfennig 2014). The most relevant legislative developments were the so-called Six-Pack of 2011 and Two-Pack of 2013, which introduced the Commission's ex ante control of the budgetary process as well as a less discretionary administration of sanctions to member states that do not meet the fiscal objectives. Moreover, the Six-Pack includes the Macroeconomic Imbalance Procedure, designed to control the variables that were not taken into account in Maastricht (such as current account balances, unit labor costs, private debt, and several others) (Scharpf 2015). The capacity to prevent future crises, however, is achieved at the cost of national representative governments' discretion. Even more important, all member states (except the United Kingdom and the Czech Republic) signed in March 2012 the so-called Fiscal Compact (the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union), which goes well beyond all previous requirements, establishing a balanced-budget rule (a maximum structural deficit of 0.5% of GDP for countries with public debt over 60%, and of 1% for countries below that level); the creation of independent fiscal councils at the national level to ensure fiscal balance; a debt brake rule that requires a 5% percentage annual reduction in the amount of public debt exceeding 60% of GDP; and an automatic correction mechanism in case the fiscal goals are not met. Furthermore, the Fiscal Compact also requires that the "golden rule" of a balanced budget be incorporated into national law (the recommendation being that the rule is constitutionalized, as it has been in Italy, Slovenia, and Spain). Of course, all these rules dramatically restrict the maneuvering capacity of representative governments as they conduct economic policy. Menéndez (2013) concludes that these legal changes amount to a constitutional mutation of the European Union.

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[8]For example, the 3% rule was due to a French economist, Guy Abeille, who calculated the maximum public deficit that a state could run growing at 5% annually to stabilize a 60% level of public debt. The 60% level of public debt was simply the average level of debt in the European Union at the time of the Maastricht negotiations.

Apart from tighter rules, the other big transformation of the European Union during the crisis was the emergence of the ECB as a key central actor. In the worst moments of the crisis, when intergovernmental summits failed to provide solutions to the most pressing problems related to the yield spreads of public debt in debtor countries, it was the ECB that intervened to fill the political vacuum and fix the financial mess. This is consistent with Tsebelis' (2002, ch. 10) theory of veto players: In a context of many veto players with divergent policy preferences, bureaucracies and independent agencies are more likely to become powerful actors. In fact, there is a solid literature on veto players and independent central banks (see Fernández-Albertos 2015 for a review). Perhaps the most dramatic moment in the process of the ECB's empowerment took place in July 2012, when the governor, Mario Draghi, announced that the institution would do whatever was necessary to ensure the survival of the euro. Although the Treaties forbid the ECB buying public debt to the states, nothing prevented it buying bonds in the secondary market. Thus, in August 2012, the ECB presented its OMT (Outright Monetary Transactions) program so that the prophecies of investors regarding the solvency of certain sovereign bonds would not be self-fulfilling (De Grauwe 2013, p. 163). The OMT had an immediate effect and calmed the market turmoil.

The intervention of the ECB was far from being purely technical. In fact, the financial relief it provided was conditioned on the progress made by debtor countries regarding structural reforms and fiscal adjustment (austerity policies). There was a clear political conditionality, as revealed by the letters sent to the prime ministers of Ireland, Italy, and Spain, to which I referred at the beginning of this article. It was only when the financial situation of Italy and Spain was desperate that the ECB acted as a lender of last resort, avoiding the bailout of two economies that were too big to be saved. In Ireland, the ECB imposed, out of political rather than economic considerations, the principle that the costs of saving the banks should fall on Irish taxpayers and not on foreign creditors (Sandbu 2015, pp. 99–100, 131). The political strategy of the ECB became even clearer during the crisis provoked by the Syriza government's decision to hold a referendum on the third bailout: The ECB drained liquidity to Greek banks in order to force the hand of the executive (Sandbu 2015, p. 75). This was a perfect example of coercive monetary policy (Adolph 2013, p. 230).

The fate of debtor countries was in the hands of a nonelected agency, namely the ECB. Its interventionism was motivated by political interest rather than by pure efficiency seeking. Some authors have concluded that the ECB, having the power to let debtor countries run into insolvency, is now the political sovereign in the Eurozone (Streeck 2015, p. 369).[9]

The ECB works differently from other central banks. It was created with the German Bundesbank as the reference model: a powerful, fully independent institution whose mission is to keep inflation at bay (Howarth & Loedel 2003, pp. 36–39). However, the institutional foundations of the two banks are not identical. The independence of the Bundesbank relied on simple statutory legislation that could be changed by a parliamentary majority. In contrast, the ECB's status is fully constitutionalized, so that any change of its goals or independence requires the unanimity of all member states. Given the conflicting interests between creditor and debtor countries, it becomes practically impossible to change the ECB's standing within the EMU. This is why some people say that the ECB is the most independent central bank in the world (Adolph 2013, p. 312; Bibow 2013, p. 617).

But beyond the legal protection of independence, the main difference between the two institutions is their political embeddedness (Bellamy 2010, p. 10; Majone 2014, pp. 52–55; Verdun & Christiansen 2000; for a more general analysis of the problem of embeddedness in the Eurozone,

[9]Interestingly, Howarth & Loedel (2003) asked in the title of their book on the ECB whether the bank was the new Leviathan in Europe.

see McNamara 2015). The Bundesbank was part of a democratic order in which elected institutions had some capacity to influence, formally or informally, monetary policy. In the analysis of Lohmann (1998), it becomes apparent that the Bundesbank was sensitive to the popularity of the government and to the ideological congruence between the two legislative chambers. Moreover, there was a consensus in German society about the need to preserve price stability (Marsh 1992). Thus, despite its nonmajoritarian condition, the Bundesbank was well integrated in a polity, subject to political cross-pressures, and in possession of some popular legitimacy. The ECB is completely isolated, both constitutionally and politically. Its principals (the heads of governments of the member states) are too numerous and too heterogeneous to impose any serious constraint on the decision making of the monetary experts. Likewise, European societies and their economies are much more varied and diverse than Germany's.

The ECB is politically independent and democratically unaccountable (Howarth & Loedel 2003, ch. 5). It is not accountable for its policy mistakes (such as the raising of interest rates in 2011, deepening the second recession of the Eurozone). It is also institutionally opaque: Not until 2015 were the minutes of its governing board meetings released to the public. Moreover, as Adolph's (2013) magisterial book makes clear, independence does not guarantee neutrality. The more independent central banks are, the easier regulatory capture by private financial interests becomes. There is a legitimate concern about whose interests the ECB has been serving during the crisis.

In short, the Eurozone crisis has brought about greater centralization of economic policy, particularly on fiscal issues, and has made the ECB the key actor, whose decisions determine whether a member state is insolvent or not. The ECB leverages this power to impose draconian fiscal adjustments in highly indebted countries. Tighter constitutional rules plus an all-too-powerful nonmajoritarian institution are the two novelties that have emerged from the crisis. Of course, these elements were already present in the Maastricht Treaty, but they have been pushed to their extreme during the crisis. To put it more succinctly, the EMU has survived at the cost of insulating economic policy from the vagaries of democratic politics.

CODA: TECHNOCRATIC FEDERALISM

In the venerable debate on the democratic deficit, the more popular solution was to strengthen the EP vis-à-vis the Commission and the Council. This proposal, however, does not make much sense given the political mutations that have taken place in the European Union. Although the EP now has greater powers in the European legislative process, economic policy is out of its reach. Economic policy, as we have seen, has been almost fully depoliticized through delegation to independent agencies and through binding rules.

It is tempting to conceptualize the democratic troubles of the European Union by resorting to Rodrik's (2011) famous trilemma on globalization (see Crum 2013). According to Rodrik, there is an unavoidable tension between democracy, national sovereignty, and global markets. If we consider these three elements, the trilemma establishes that the trade-offs are such that the elements can be combined only in pairs, with one element necessarily renounced. Thus, we can keep the old model of democracy and sovereignty by renouncing globalization; we can have globalization and democracy (at a global level), but we have to sacrifice national sovereignty; and we can have globalization and national sovereignty, but only by giving up democracy.

To illustrate the trilemma, Rodrik (2011, p. 203) referred to the European Union: an attempt to build a democratic supranational order under which citizens would enjoy both globalization and democracy, sacrificing national sovereignty. However, in a recent commentary, Rodrik (2016) has admitted that he was wrong in his initial diagnosis of the European Union. In his opinion, the handling of the Eurozone crisis reveals that the European Union has opted for globalization and national sovereignty, with little space for democratic procedures. Based on what has been discussed above, there are solid reasons to think that Rodrik's new insight is on the right track.

The European Union that emerges from the crisis has renounced democracy with regard to economic policy making. The EMU works through a mix of intergovernmentalism, binding rules, and nonmajoritarian supranational agencies. The system could be characterized as technocratic federalism. Member states retain national sovereignty, if only because they keep the right to change the treaties and have the last word on further supranational institutional building.[10] Moreover, states maintain key elements of sovereignty (for example, they are reluctant to give fiscal powers to the European Union). Intergovernmentalism, far from disappearing, has been reinforced during the crisis. But the difference is that this time member states have accepted that they are subject to technocratic governance at the supranational level.

Although intergovernmentalism by itself can be considered still another layer in the scheme of representative government, the combination of intergovernmentalism with supranational technocracy is another matter altogether. The national democratic system stops being the locus for the exercise of self-government: The people cannot choose between different alternative economic policies. National democracy is severely limited if a supranational democratic governance system is not created.

The end result of the postcrisis European Union is a liberal order in which elections are limited to accountability mechanisms. For the liberal conception of democracy (Riker 1982), there is nothing wrong with that. There exist the rule of law, basic rights, freedoms, and elections in which candidates differ in capacity and perhaps on moral issues too, but not so much on economic policies. This is the dream of liberalism. However, for those who think that democracy is also about making collective choices based on people's preferences, there is something disquieting about technocratic federalism. It betrays some of the more deeply ingrained ideals about democracy as a form of political self-government.

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[10]From the perspective of a rescued country such as Greece, the idea that national sovereignty remains may sound almost sarcastic. But no matter how ugly the Greek experience looks in democratic theory terms in the context of the crisis, it is a rather exceptional case. It would be wrong to consider it the norm within the EMU.

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