HISTORY AND VALUES

An open Europe for the 21st century

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Manifestació pro europea a Escòcia

For liberals, the European Union is still a symbol of prosperity, security, and enlightenment. However, this view is no longer shared by the electorate in numerous countries. More and more voters are deserting pro-European parties and giving support to Eurosceptics. The fundamental question is: why is the EU no longer sexy? The European Union has lost its sex appeal for two fundamental reasons. First, it betrayed the liberal values upon which European integration was based. Second, it failed to adjust its institutions to the major geopolitical, geo-economic and technological developments, which have engulfed Europe over the past three decades. As a result, the EU no longer has institutions able to effectively govern the new Europe, and it has become direction-less. This is an irony of history. Ever-denser socio-economic interdependence requires strong transnational public authorities, capable of offering rules and protection to citizens and firms. Yet the only genuine embodiment of such transnational public authority, the EU, is increasingly dysfunctional and out of sync with the public.

Leaving the EU is not easy, and is likely to make things worse. The Brexit saga has demonstrated this plainly and painfully. Yet changing the EU from the inside is not easy either. States in charge of the integration project are not prepared to embrace a novel

mode of integration. Liberals insist that the EU is handling major challenges well, such as migration or economic stagnation, while their illiberal opponents argue the opposite. Both camps believe in the Europe of states, although one camp writes states with a capital 'S', while the other writes it with a small 's'. This situation does not bode well for an ailing Europe. Let's first consider what went wrong, before suggesting a possible remedy.

The crisis of the liberal order

European integration was the diamond in the liberal crown. It reflected all the key liberal values: free trade, open borders, trans-national solidarity, human rights, equal treatment, and diplomatic multilateralism. The single market and the common currency project helped Europe grow handsomely, and this growth has been distributed more evenly in Europe than in other parts of the world, diffusing industrial conflicts and contributing to competitiveness. Structural funds and agricultural policy helped laggards to cope with the competition of Europe's economic champions. A short, but significant catalog of social rights has been written down in European treaties. The EU's external trade policy-protected firms and citizens from the negative aspects of globalization. The European vision of integration, envisaging a complex and consensual decision-making system, was helping Europe to get rid of power politics. Large and rich states were no longer in a position to bully small and impoverished ones. Germany was effectively 'contained'. The largely civilian nature of the EU was geared to a foreign policy acting through a moral example; checks rather than guns were Europe's prime foreign policy means.

Unfortunately, recent years have seen a few of these noble norms and values observed in the EU's practices. Neo-liberal economics with its emphasis on deregulation, privatization, and competition was largely embraced by the EU. As a result, inequalities within and among states raised dramatically. When Europe was struck by a global financial crisis, weak actors (states and social groups) were bullied by the stronger (triple A) countries acting through the EU institutions. The Fiscal Compact Treaty was imposed by Germany and France on debtor states and executed ruthlessly. The European Commission, Parliament, and Council seemed more eager to listen to lobbyists than to ordinary citizens across the continent.

The EU's policies over the past several years have been in sharp contrast to its proclaimed values, but they were also utterly ineffective, despite the enormous propaganda about their success. Even the strongest European economies have struggled to generate growth in recent years, and Europe's welfare systems are shrinking. The Euro was meant to help integrate Europe, but it achieved the opposite: it exacerbated the gaps and conflicts between the surplus and deficit countries, the importers and exporters, and the North and South. Hardly anybody trusts that Greece will ever pay its debts despite three hugely expensive bailouts. Hardly anybody believes that the so-called Junker investment plan has indeed produced propagated results.

The Schengen system kept external EU borders open to the flow of money, but not to the flow of ordinary people, especially those fleeing poverty and war in the Middle East and

Africa. When hundreds of thousands refugees and migrants begun to march towards EU borders in 2015 the Schengen system effectively collapsed. European foreign policy contributed to most of the problems in Europe's neighbourhood. Further enlargements were put on hold and development assistance fell from grace, as did large investment projects in unstable neighbouring countries. The EU worked hand in hand with dictators such as Ben Ali or Muammar Gaddafi to keep migrants at bay. Iraq and Libya were bombed without a UN mandate by some EU members, and then left in the hands of the local warlords. No wonder desperate people tried to flee these and other war-sticken zones. No wonder the EU can no longer pretend to lead by example. No wonder Europe's normative policy is on the rocks.

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The situation was instantly exploited by illiberal politicians. They accused liberals of saying one thing and doing another. They pointed to the ineffectiveness of liberal policies. They lamented democratic flaws and ideological biases related to liberal policies. The EU was for them an easy target. The EU was increasingly seen as detached from local concerns, and it committed numerous policy blunders, both during the financial and the migratory crises.

Illiberal politicians represent a very mixed political bag, they usually lack clear, let alone workable policy solutions, and they find it difficult to forge trans-national alliances. However, they are united in their criticism of the liberal reign and those associated with it. They benefit from the ensuing political chaos, economic pain, and normative ambivalence: predators feel at home in the jungle, after all. Inexperience and radicalism proved to be an asset after years of liberal conservatism and stagnation. Since 1989, liberalism has created its own peculiar universe, with its own rules and rationality. Liberalism became an ideology of power and empowerment. It was no longer an ideology of those oppressed by the state; it was an ideology of the state-run by the mainstream center-left and center-right parties. Liberalism was not defending minorities against majorities; it was minorities —professional politicians, journalists, bankers, and jet-setting experts— telling majorities what was best for them. By shifting ever more powers to non-majoritarian institutions —constitutional courts, central banks, and the European Commission— liberals have effectively deprived the electorate of a say in politics. By privatizing and deregulating the economic sector liberals have effectively prevented the electorate from changing the course of economic policies. Liberals have also spread, and some would say 'imposed', their atomistic model of society, their interpretation of history, their favorite films, even their dietary habits. Since 1989 liberalism has been the comprehensive 'bible' on what is good or wrong in a society, not just a manual for making money. Liberalism defines notions of what is sensible and appropriate. Like all powerful ideologies, liberalism defines the notion of normality. The political insurgents do not just oppose individual liberal policies, they defy the entire liberal logic. They try to introduce a new normal. They try to reject liberal truths.

This represents a serious challenge for liberals. For them to bounce back it is not enough to change their migration or fiscal policies. Nor is it enough to reform the European Union. They need to convince the disappointed voters that their entire ideological package is still valid despite all its inconsistencies, setbacks and treacheries.

The wrong mode of integration

Many problems confronting the EU are 'imported' from its nation-states. This results from the adopted method of integration. European integration has been driven and controlled by nation-states, and also resembled a state-building process. This arrangement has increasingly proved problematic. First and most obviously, it is because states persistently try to use the EU for their parochial ends without committing any significant resources to common endeavors. National politicians are responsible to their national rather than European voters and this implies a considerable degree of selfishness. We should not forget that the European Communities were originally created to 'rescue' rather than dismantle nation-states. Alan Milward was already documenting this in the early 1990s.

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Second, the adopted mode of integration mimics the state-building process: the EU has a central hierarchical government with its parliament, the executive and the court; it has external borders, common currency, and common foreign policy. This creates a zero-sum game competition for sovereignty and legitimacy between the quasi-European state and the member states. As a result, the integration process was chiefly about common rules and policing these rules, and not about a transfer of governance from national capitals to Brussels. The arrangement became dysfunctional with the progressing functional integration. For instance, most economists agree that a common currency requires common fiscal governance. This does not happen, however, because states are unwilling to accept that fiscal power resides in Brussels and not in their capitals. The same logic applies to other matters such as migration or labor regulations.

Third, states not only refuse to transfer governance functions to the European institutions; they also refuse to share power with local public actors such as regions or cities. This is at odds with the new configuration of rights, authority, and territory in Europe. Today regions and cities represent strong democratic units frequently able to generate growth, innovation, security and even integration better than states. The monopoly of states on integration seemed justified in a few initial decades after World War II. At the time European states were the most important economic agents, providers of welfare provisions, vibrant democratic units, effective administrative managers and guarantors of security. This is history, however. In recent years, Europe's states have seen little growth and the

welfare system is bankrupt in some states and shrinking in others. The privatization of education and health systems is progressing along the marketization of these important services. Even national defense and policing are progressively being subcontracted to private firms. In fact, the entire notion of territorial defense has become problematic in an era of cyberattacks and nuclear deterrence. Defense demands computer skills more than patriotic engagement. With the collapse of traditional party systems and the crisis of parliamentary representation, states no longer can pretend to have sound democratic legitimacy. In fact, numerous functions previously performed by states are now carried out by regions and cities, often in alliance with NGOs and private firms. The EU decision-making system grants a seat at the table to such tiny or even bankrupt nation-states as Cyprus, and not to a vibrant region such as Catalonia or a city such as Hamburg or Vienna. (The economic potential of Vienna is four times greater than that of Cyprus).

Fourth, the in-built statism of the EU cultivates a centralized and rigid governance structure that is at odds with the cascading plurality of contemporary Europe. Those in charge of European integration insist that the *acquis communautaire* has to be applied fully even by weak if not failed member states, and they call for an efficient system of monitoring and eventual sanctioning to ensure that member states comply with the *acquis*. They want the central government of the Union to have ever-broader powers and a strong bureaucracy. They are skeptical about or even hostile towards any kind of flexibility, subsidiarity, pillarization, devolution and differentiation in the Union's law and policy. They argue that these solutions are not only vaguely defined but also quite dangerous because they disrupt the unitary nature of the EU institutional system and create unworkable procedures of decision-making. In fact, they often see greater flexibility and differentiation as a step towards disintegration. These arguments ignore that a vast and highly diversified European space cannot be governed effectively in a centralized, rigid and hierarchical manner. An effective system of governance must be able to represent the basic types of the variety found in the system to be governed. This means that the more diverse the qualities to be governed, the more diverse the necessary governing measures and structures, and the more diverse the relationship between them.

The key argument behind my critique of the adopted mode of integration is that it fails to keep up with the dramatic pace of change in Europe, especially over the past three decades. The last major reform of the EU took place after the fall of the Berlin Wall and on the eve of the global economic and digital revolution. Europe has changed beyond recognition since the Maastrich Treaty of 1991, but the EU has not adjusted to this change.

The fall of Communism in Eastern Europe has restructured geopolitical borders on the old continent. The Soviet Union and Yugoslavia disintegrated, Germany has been reunited and the European Union has been vastly expanded. Territorial borders have been in flux since 1989, producing new states, autonomous enclaves, semi-protectorates, and 'shared' neighborhoods. Political ideologies, legal rules, and economic systems moved across these fuzzy borders. Many people enthusiastically welcomed new regimes on their territory, but some were forced to flee, if only because of their ethnic background. Some states, alliances, regimes or ethnic groups have been proclaimed as winners while others have seen themselves as losers. A long-standing balance of power between various groups and units

has been effectively reshuffled. The politics of recrimination and violent conflict was part of this process, as currently observed in Eastern Europe, North Africa, and the Middle East. The reordering of the geopolitical map of Europe has also affected affluent states of Western Europe. Consider for instance the new 'balance' of power between France and Germany or the potential implications of Brexit.

At the time that the geo-political map of Europe was unraveling, Europe's leaders negotiated a new treaty that prompted a geo-economic revolution. The 1991 Maastricht Treaty gave the push to open EU borders to the free movement of goods, capital, people and services. Moreover, it led to the creation of the single European currency, the Euro. The unraveling of economic borders was said to be a win-win game, but in reality, it benefited some spaces, institutions and social groups more than others. The EU has become a crucial center of economic transactions; there are now more than 30,000 lobbyists registered in Brussels trying to influence the decisions of the European Commission in charge of the single market. The Euro and the single market have also created socio-economic winners and losers. Unemployment in Greece or Spain is now several times that of Germany or Austria, for instance. The gap was much narrower twenty or thirty years ago. The private sector has also expanded at the expense of the public sector with the unraveling of economic borders. Markets and market-values moved into spheres that used to be the domain of the public sector in Europe such as health, education, public safety, environmental protection and even national security.

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The spread of the internet has also intensified the unbounding. Digitalization has affected the entire world, but Europe in particular. Some celebrate the rise of the World Wide Web, but others are lamenting the erosion of some of Europe's democratic achievements such as parliamentary representation, quality journalism and citizens' right to privacy. Today the monitoring of politicians is more serious on the web than in parliaments. Newspapers that used to be the center of informed public deliberation are in decay. Private data of citizens is being used and misused by internet providers and security agents. The internet does not recognize territorial borders; nor does it respect a border between what is public and private. However, access to the internet is unequal, both in terms of provision and consumption. Some information is being spread, while other information is being silenced. All modes of communication are structured by power relations and this is especially the case with the internet. On the one hand, the internet is having a liberating effect: information previously restricted to narrow circles of users can now be broadly shared. On the other hand, the internet is also being used as a tool of propaganda and repression.

Some regions, institutions, and social groups benefit from the digital revolution more than others and it is important to help the losers in some ways through pan-European regulation.

The EU has never adjusted its institutions and mode of governance to all these revolutionary changes. Cynics may even argue that the EU has never attempted to comprehend these three unbounding revolutions and their implications for the integration project. When faced with growing public discontent, the EU attacked its critics and refused to entertain any form of self-criticism that would lead to meaningful reforms. Those critics were often pro-European, but they realized that the EU has become an engine of disintegration rather than integration.

The way forward

In most countries, the skepticism regarding European integration goes hand in hand with the critique of liberal democracy and free trade, migration and multi-cultural society, historical 'truths' and political correctness, moderate political parties and mainstream media, cultural tolerance, and religious neutrality. In essence, at stake is not just the future of the EU, but also the future of the liberal open society. Unless liberals regain the public trust, the European integration project is doomed and with it Europe's open society. That said, we should not confuse the EU with Europe. Europe can integrate with or without the EU. Much depends on whether the EU is able to reform itself in profound ways.

In my view, the proper way forward amounts to three basic steps: reckoning with the past, engaging in experimentation, and constructing a new version of the open society in tune with Europe of the 21st century. Instead of cultivating nostalgia for the period of liberal glory, liberals should revisit the catalog of liberal norms guiding their policies. Over the past three decades, those who called themselves liberals have given priority to freedom over democracy and equality; they adopted illiberal foreign and migratory policies, and they used the European Union to foster the neoliberal and the neoconservative agenda. These priorities need to be revisited. People associated with neoliberal and neoconservative excesses, clentelism, and international adventurism should be asked to retire from liberal politics. New people should take their place, especially women and other groups neglected by the previous liberal generation.

The next step is about reforms. These reforms cannot only be about institutional engineering, but also about such complex issues as legitimacy, identity, and justice. They should concern not only European governance but also the European version of capitalism and democracy. Liberals, unlike populists, should not advocate any big bang leading to some kind of utopia. They should endorse a series of courageous experiments reflecting basic liberal values. My catalog of experimental reforms includes four specific measures related to the European Union. Suggestions to reform capitalism and democracy fall outside the scope of this paper.

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First, we should break the monopoly of states on integration and give cities, regions, professional associations and NGOs access to European decision-making and resources. This could be done by creating a second chamber of the European Parliament featuring these non-state actors. Second, we should stimulate integration along functional rather than territorial lines. Different actors or networks could integrate in different policy fields such as trade, energy, human rights, immigration or security. This could be done by giving the existing European agencies more autonomy and resources while reducing the power of the central institutions in Brussels. Third, the structure of integrative schemes should be made polycentric rather than hierarchical. It should resemble numerous horizontal rings rather than a single vertical pyramid. For instance, the Schengen system dealing with Europe's borders used to be independent of the EU, but the Amsterdam Treaty incorporated Schengen into the EU's overall structure. Schengen is now a core part of EU law and all EU member states with the exception of the UK and Ireland are legally obliged to join Schengen. Fourth, governance of integrative networks would have to be made truly flexible, plurilateral and diversified. Some fields such as the Internet are moving rapidly and they constantly require new innovative solutions. Other fields such as human rights require clear benchmarks and consistent policies. In the fields of industrial competition, taxation or customs sanctions are more appropriate than in the fields of immigration or environment where incentives in terms of training and material equipment are more suitable.

These experiments by themselves will not heal European integration, but they will help to move Europe forward from the current deadlock, empower local actors, and encourage innovation. They will show that liberalism is a force for progress and not a device for maintaining the status quo and preserving the interests of those in power. Perhaps these experiments will even make liberalism sexy enough for young people to follow. At present, most of them are either alienated or outraged.

The final and most demanding step is to move from experiments to the new version of the open society. Today openness is chiefly about unbounding: digital communication, economic transactions, as well as migration, can hardly be managed at physical borders. Liberals should, therefore, find plausible solutions for the unbounded Europe of today. They need to conceive a model of democracy, capitalism, and integration, which makes sure that

citizens are not left in ‘authority holes’ with no public jurisdiction and protection.

The new version of the open society should welcome the plurality, heterogeneity, and hybridity of a Europe shaped by globalization. It should embrace technological innovation and employ it for the service of the open society. It should consider migrants as a cultural and economic asset. None of this will be electorally popular, but liberals should have the courage to argue their case and show that the proposed solutions are good for the majority of Europeans. The core liberal values such as openness and tolerance; individual rights and welfare; restraint, inclusiveness, and fairness have not lost their relevance. They have been betrayed or watered down by successive generations of center-right and center-left politicians. We have also forgotten how to apply these values to generate change. We have abandoned the voters who supported us loyally for many years. It is time to win them back and propose a new vision of a truly integrated Europe. A Europe of networks should replace the Europe of states. Such a Europe can even offer the rescue of nation-states.



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