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Book Reviews

Michel Aglietta, Nicolas Leron, *La double démocratie. Une Europe politique pour la croissance*, Le Seuil, Paris, 2017, pp. 206.

The past few years have been a bleak period for Europe, dominated by the effects of a multidimensional systemic crisis (economic, financial, social, environmental and geopolitical), mounting unease among the populace and considerable turmoil among political elites. The aggressive rise of populism, the slow slide towards authoritarianism and the surge in nationalism have spawned parochial tendencies, eroded solidarity and created growing ambivalence about the future of the shared European project. The migrant crisis and Brexit (with the attendant fears of a possible domino effect) are clear signs of this trend. At global level, the tumult caused by the 2016 US elections, the emergence of continental powers in Asia and the African awakening are disrupting what remained of the twentieth-century international order. Meanwhile, in today's globalised environment, the limits of the traditional economic model have become apparent as it grapples with the effects of "secular stagnation".¹ We have witnessed the persistent failure of the economy to achieve full employment, curb inflation and create the conditions needed for sustainable financial stability. Technological innovation – the driving force of the current

¹ Alvin Hansen coined the expression in "Economic Progress and Declining Population Growth", published in 1939 in the *American Economic Review*. It refers to an economic situation where a slowdown in both economic progress and demographic growth produces a period of economic decline. Since 2013, this notion has been systematically used in IMF analyses of the global economy.

industrial revolution – is turning society on its head, creating a need for new regulatory institutions that can maintain consistency in the face of a new regime of growth and new social behaviours. A new paradigm is emerging, based on the importance of global public goods, of what is “common” to humanity, despite the divisions that seem to be driving it apart.

Against this backdrop, Michel Aglietta² and Nicolas Leron³ have conducted an interdisciplinary analysis from a historical perspective. They endeavour to explain why Europe has been more severely affected by these phenomena than other world regions and to identify approaches that might open new prospects for the European project. Their conclusion is clear: the European Union and the euro area have reached an impasse for a number of reasons, including the powerlessness of public authorities, negative interdependencies between member states and the incomplete nature of EMU. The authors also highlight a crisis in the method of European integration, now that both the “spill-over” mechanism and the “small steps” approach advocated by Jean Monnet seem to have exhausted their potential.

Yet, analysis of the euro-area crisis has failed to pinpoint possible solutions. The principle of economic neutrality has meant that macroeconomic analyses have disregarded the question of political legitimacy. In other words, “neo-functionalist horizontality collides with the verticality of politics”. This is exacerbated by the leadership crisis: “After the era of the founding fathers and the European revival, today’s leaders often come across as nervous crisis managers.”⁴ What

² Michel Aglietta is an emeritus professor at Paris Nanterre University and an adviser at CEPII (a French research centre for international economics) and France Stratégie.

³ Nicolas Leron, an associate researcher at the Sciences Po Centre for European Studies, is president of EuroCité, a think tank, and of Nonfiction.fr, a review website.

⁴ *Op. cit.*, p. 9.

is the solution? An overhaul of the political pact and a new founding act for the EU, much like the establishment of the Common Market and the creation of the euro. For the authors, this act should be based on the adoption of a European budget funded by own resources, which would create a new political order and promote inclusive, sustainable growth. To develop their argument, Aglietta and Leron consider three dimensions – political, economic and legal. They assign priority to the political sphere, which remains at the centre of the EU system; it is “constitutively linked to currency, debt, budget and legal sovereignty”. They call for the creation of a “public authority Europe”, with a real ability to act (because of its “authority”) and not just the theoretical competence to act (because of its legal sovereignty). This public authority would revive national democracies, firstly by loosening the EU’s regulatory noose and secondly by sharing political responsibilities between these two levels. This is the principle of “dual democracy”. The authors’ argument is based on two observations around which the book is organised: the “entropy of the European political system” and the “eclipse of sovereignty in the euro area”. They propose courses of action to provide a “basis for European democracy” and to “boost public authority”, before suggesting a path to “restore the historical dimension of the European project”. Despite the EU’s preoccupation with improving its representative and participatory tools, it has done nothing to encourage the emergence of real democratic legitimacy. The supremacy of EU law over that of the member states has often imposed choices on citizens that they did not make themselves, creating a disconnect between individual political preferences and the decision-making process at both EU and national level. Aglietta and Leron cite the example of the EU’s inability to harmonise national legislation in such key fields as taxation or labour law. They take the view that the “European economic constitution” should be based on unfettered competition, free movement of citizens and the monetary and budgetary orthodoxy guaranteed by the Treaties; but in practice what we now have is a situation of regulatory competition between member states,

reflecting a structural democratic deficit in the EU. With the phrase "the eclipse of sovereignty in the euro area", the authors highlight the problems that arise when there is no link between European sovereignty and the European currency. Adopted by nineteen member states, the euro is not based on a political community or a sovereign federal state ("structural indeterminacy of sovereignty in the EU"). The "default sovereign" is the European Central Bank (ECB), which is responsible for the integrity of the euro, while the member states are engaged in intergovernmental governance. But the euro area does not have its own public finances, budget or authority (such as a parliament) that can implement the euro at European level, including by way of fiscal transfers between member states. "The state should always ultimately have the ability to monetise its debt, in other words to keep it off the market." In practice, priority has been given to market self-regulation, underpinned by a liberal philosophy which has enabled the gradual Europeanisation of member states' public policies. But the lessons of the crisis, especially in a context of accelerated financial liberalisation, show that this is not the solution, for self-regulation leads to deep structural imbalances, especially in terms of the balance of payments between creditor and debtor countries, and to a pronounced North-South economic polarisation. It is worth noting the visionary nature of the plan for EMU laid out in the 1970 Werner Report, which saw political union as a vital component in the creation of a European single currency.

In these circumstances, Aglietta and Leron, ruling out a major federalist leap forward (utopian) and keen to avoid a regression for the EU, suggest a third way – "dual democracy", an approach entailing a powerful Europe within the context of a genuine democracy for the member states. This requires a European budget ("if the creation of the single currency was possible, the introduction of a European budget should also be possible"), financed by supranational fiscal resources, enabling effective investment choices to be made and stimulating sustainable growth. To "restore the historical dimension of the European

project” the authors put forward a series of specific proposals: a European budget of 3.5% of GDP (currently 1%) from own fiscal resources; the ability to borrow on the international financial markets in the form of Eurobonds; giving the EU the role of last-resort investor (as part of a programme encompassing public and private investment); a reform of European budgetary governance (with the creation of a European budgetary agency to evaluate national budgets as part of a process of counter-cyclical regulation); and promoting the role of public development banks and responsible financial investors.⁵

This book, fruit of a partnership between a prominent economist and an equally renowned political scientist, not only offers a meaningful analysis of the current situation in Europe in a global context but also proposes multidimensional responses (encompassing political, economic, legal and doctrinal aspects) and alternative solutions to aspire to a better future. The authors do not, however, explore in detail the potential political obstacles to implementing their scenario and the ways of overcoming them; these matters may be addressed in their next collaborative piece. In the meantime, this well-reasoned, carefully argued book leaves plenty of scope for debate and discussion, while also convincingly making the case for citizen participation in political processes.

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⁵ Op. cit., p. 193.