

The
Economist

Charlemagne

Angela the lawgiver

A pact to cut budget deficits is achieved at the cost of a growing democratic deficit

Feb 4th 2012 | from the print edition



THOU shalt not incur a structural deficit. Thou shalt pay down thy excessive debt. Thou shalt adopt a balanced-budget rule in thy constitution, and subject it to the European Court of Justice...

It took just a little more than 40 days and 40 nights for Angela Merkel to bring down the tablets of fiscal law. At a summit in Brussels this week, 25 European leaders pledged to observe this covenant and made burnt offerings of their economic sovereignty. But the children of Europe are crying into the wilderness: "How long, Lord, must we be tormented

by austerity?"

Mrs Merkel holds out the prophecy of a political union. For the time being, though, and for years to come, deficit-cutting is the only path to righteousness, she says. Look at Italy and Spain: markets relented once they started reform in earnest. Look at Greece, the doubters retort: EU-induced budget cuts are pushing it into recession and insurrection, and closer to chaotic default. And Portugal is testing the notion that Greece is alone.

Some see hope in things that Mrs Merkel has not yet done. She did not block a debate, due in March, on enlarging the euro's rescue fund. She did not demand the return of unused EU money, instead allowing it to be redirected to projects to boost growth and jobs. And she did not strike down the European Central Bank for creating a torrent of liquidity for banks (see [article \(http://www.economist.com/node/21545990\)](http://www.economist.com/node/21545990)). Still, the promised land of Eurobonds, and of the ECB lending to sovereigns, seems beyond the reach of today's politicians.

In the third year of Europe's debt crisis, leaders are under pressure from three sides: the bond markets, which threaten to push countries into insolvency; EU institutions, armed with new powers to monitor budgets and economic policies; and fellow leaders, who are no longer shy about meddling in neighbours' affairs.

This combination is almost impossible to resist. It took only a smirk between Mrs Merkel and the French president, Nicolas Sarkozy, to doom Italy's prime minister, Silvio Berlusconi. The Greek prime minister, George Papandreou, was also replaced under pressure from "Merkozy". The new Belgian government, led by Elio Di Rupo, a Socialist, was forced to cut cherished social programmes under threat of EU sanctions (a general strike forced leaders to fly in to this week's summit via a military airport).

What about citizens? They are being given little say in the loss of national prerogatives. Surely democratic politics is nothing if not about how wealth is created and distributed. Yet the treaty was drafted to avoid referendums, above all in Ireland (although that may be tested by the courts). Even if it is put to a vote, it will come into force when 12 of the euro zone's 17 approve it. Countries that do not ratify will not receive new bail-outs from 2013.

Despite riots in Greece, and protests elsewhere, the fear of economic meltdown is still a brake on popular dissent. "In periods of recession you can ask people to make more sacrifices than in good times," argues a senior Brussels official. The technocrats in Rome and Athens still rely on the support of elected parties. Most other EU governments are run by centre-right parties that tend to believe in budget consolidation.

But such consensus is fragile, and could soon be tested. Greece may hold elections in April that would probably be won by Antonis Samaras, leader of the conservative opposition party, New Democracy. He infuriates European leaders by only partly backing the international reform programme. Will the euro zone allow Greece to default if he resists its diktats? In France François Hollande, the Socialist who polls suggest will win the presidency in May, wants to renegotiate the fiscal pact. Should he refuse to adopt a balanced-budget rule it is hard to imagine Mrs Merkel taking him to court.

Such pressures may explain Germany's heavy hand. Mrs Merkel's decision to campaign for Mr Sarkozy's re-election looks ill-judged. A German official's call for a "budget commissioner" with veto rights over Greek spending prompted accusations that Germany was trying to appoint a "*Gauleiter*". Mrs Merkel disavowed the idea, but her plans for stronger "monitoring" may not be very different. All this feeds anti-German feeling.

Some suggest elected national governments are being crushed by an undemocratic Europe. That is facile. For several countries, the EU is a guarantee of democracy. Many would rather surrender sovereignty to a Europe, where they have influence, than to financial speculators. And in a monetary union, members surely have a right to speak up if others act recklessly. In the end, countries choose whether to join the EU, or even the euro.

Democracy begins at home

Still, the EU is not like other international clubs. It intrudes deeply into the internal workings of its members. It would be hard, and extremely painful, to leave the euro. The EU's decision-making is unintelligible to most people.

Consider the unelected European Commission. It may be less influential in the Brussels power game than it once was, but it is acquiring important powers over members, notably the authority to recommend sanctions. Yes, democratic governments grant independence to a lot of important jobs, from central bankers to judges. But the commission has a political as well as a technocratic role. And in the Council of Ministers, which represents elected governments, decisions are prone to opaque back-room deals. The European Parliament hardly commands voters' passion.

Citizens are thus left feeling impotent. Their governments are eviscerated at home, yet voters lack the means to throw the bums out of Brussels. This is dangerous. Bringing debt under control and, more importantly, promoting reforms to boost growth, will take years of sacrifice and suffering. It can be sustained only with a strong national mandate. Without that, both governments and the EU will eventually be discredited.

[Economist.com/blogs/charlemagne](http://www.economist.com/blogs/charlemagne) (<http://www.economist.com/blogs/charlemagne>)

from the print edition | Europe

Copyright © The Economist Newspaper Limited 2012. All rights reserved.

[| Accessibility](#) | [Privacy policy](#) | [Cookies info](#) | [Terms of use](#)

[Help](#)