

# LECTURE

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## Power to the People? The Future of Europe

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### Abstract

*The euro crisis has exposed deep structural flaws in the common currency. Stagnant growth, rising unemployment, and public dissatisfaction are threatening to undermine the cohesion of the European Union itself. Conventional wisdom holds that deeper political integration is needed in order to preserve and strengthen the EU. On February 8, 2013, The Heritage Foundation's Luke Coffey joined former Dutch EU Commissioner Frits Bolkestein to address an audience at the CATO Institute on the topic of "The Euro Crisis: Can Deeper Integration Save the European Union and the Common Currency?" Luke Coffey's assessment is presented here.*

This paper, in its entirety, can be found at <http://report.heritage.org/h1224>

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I would like to begin by thanking the CATO Institute for hosting this event and for inviting me to participate.

I am going to offer an alternative view of Europe today. I am a pro-states-rights American. I believe that power should be shifted to, and decisions should be made at, the lowest level closest to those most affected. My views on Europe are shaped first and foremost on this fundamental belief.

I lived in Europe for a decade. Half of this time I was working for the U.K. Conservative Party—so I understand the debate well and I appreciate how passionate people can get over the question of Europe.

It is great to see such an interest in the topic—especially at a time when the only talk around town seems to be sequestration and nominations. It is particularly encouraging that someone as esteemed and respected as former Dutch EU Commissioner Frits Bolkestein has taken the opportunity to share his views and encourage the European debate here in America.

This event is timely. What happens in Europe has an impact on the U.S. Many of America's closest and oldest allies are in Europe. We share the ideas of liberal democracy,

### KEY POINTS

- Economically, the European Union is barely hanging on. Politically, it is at a crossroads. The eurozone's overall economic freedom is seriously undermined by the excessive government spending required to support an elaborate welfare state.
- Economic policies being pursued by many eurozone countries are hindering economic growth and job creation, causing stagnation and rapidly increasing public debt. Many EU countries have been slow to implement the austerity measures required to reduce public spending.
- What happens in Europe has an impact on the U.S. American banks hold eurozone debt and would take a hit in the event of a default. Many of America's closest and oldest allies are in Europe.
- The U.S. has been far too supportive of integration measures implemented by the EU bureaucracy. U.S. policymakers should see Europe for what it is—a conglomeration of sovereign states—not as a United States of Europe with a single federal government.

human rights, and free markets. Together, the U.S. and Europe account for half of the world's GDP, and we are each other's number one trading partners.

However, there is Europe, and there is the European Union. Most people in America do not have an opinion about the European Union, what it does, or how it works. But for Americans that believe in the ideas of direct elections, accountable politicians, the diffusion of power, transparent and good use of taxpayer money, and states rights, many developments taking place today in Europe would come as a shock.

Economically, the European Union is barely hanging on. Politically, the EU is at a crossroads. The eurozone's overall economic freedom is seriously undermined by the excessive government spending required to support an elaborate welfare state. Economic policies being pursued by many eurozone countries are hindering productivity growth and job creation, causing economic stagnation and rapidly increasing levels of public debt. Many EU countries have been slow to implement the austerity measures required to reduce public spending. Regrettably, many believe that more European integration, not prudent economic policies, is the answer to Europe's problem. This does impact us on this side of the Atlantic.

American banks hold some eurozone debt and would take a hit in the event of a default. But the deepest effects would likely be felt through the interconnected global financial system. U.S. exports to European markets would start to fall off and would decline, for example.

Angela Merkel has staked her chancellorship, and Germany has staked its role, on a European Union, on doing everything possible to keep the eurozone together. However, five sovereign bail-outs and billions of euros later, one must ask: Are we going to have an end to the misery, or misery without end? There is no doubt that German leadership has directly impacted the crisis. But it is still too early to see how. Has this impact been merely slowing down the inevitable breakup of the eurozone and the European project as we know it? Or, has it finally stopped the contagion plaguing the eurozone economies today?

While nobody knows for certain, I personally do not see how the eurozone, or the EU, can continue in its current form. The political situation across the EU is hardly any better. After all the political drama regarding the failed Constitutional Treaty in 2004, and the subsequent Lisbon Treaty in 2009, there is little political appetite for more treaties and deeper integration. Some in France and Germany have pushed the idea for a new EU treaty focusing on deeper and fuller political union as a response to the economic crisis. There was even media speculation

that an intergovernmental treaty convention was going to be held by the end of last year.

Obviously, this did not occur—but even this sort of speculation is concerning to those who believe that less Europe, not more Europe is the answer. The popularity of the EU today across Europe is at an all-time low. A recent poll conducted by the EU Commission found that only 33 percent of Europeans trust the EU. Only 30 percent of Europeans have a positive image of the EU. Why is the EU so unpopular? I believe that there are several reasons:

- The decision-making processes are viewed as undemocratic and distant.
- The people of Europe feel ignored by the Brussels elite.
- EU laws are increasingly viewed as unnecessary and intrusive.

And, the stories of fraud, waste, and abuse inside the EU bureaucracy have been accentuated by the eurozone crisis. At a time when many are facing economic hardships at home, this can have a hard-hitting effect on public opinion.

One only has to look at the present decision-making institutions in the European Union to understand the source of frustration. An organization that started narrowly focused on the coal and steel industry in the 1950s has now morphed into a supranational organization touching almost every aspect of life in every EU member country.

Over the years, power has been incrementally shifted to Brussels, away from the national capitals. Consequently, power has been moved further away from those who are impacted most. The key decision-making bodies in the EU are largely unelected, and largely unaccountable to the national governments.

The sum of this is what has been commonly referred to as the EU's "democratic deficit."

Just look at the primary decision-making institutions: The EU is run by an unelected supranational commission. EU commissioners are not accountable to the member states, cannot be recalled by the member states, and break all allegiances to the member states once appointed.

There is also the Council of the European Union, formed with the various ministers from member states, but most decisions are made not by national ministers or leaders, but by unelected permanent representatives.

Then, there is the European Parliament. It is the only directly elected decision-making body in the EU—and it is

also the weakest. Although successive treaties have marginally given the European Parliament more power, it still lacks some of the basic legislative powers that are found in national parliaments. It does not even have its own right of initiative to propose legislation. It has to formally request the commission to do so on its behalf.

Although the European Parliament is the only true outlet of direct participation in the EU, voter turnout in European Parliament elections has decreased with each election since the first direct elections of 1979. In 1979, the voter turnout was 62 percent—low by European standards but still respectable. In 2009, the most recent elections, the voter turnout was only 43 percent across the EU. On the low end, Slovakia had a turnout of just under 20 percent!

This brings me to my next point. Not only are the people who live in the EU disinterested, they also feel ignored and taken for fools. A lot has to do with the “we know best” arrogance that is regularly demonstrated by EU elites in Brussels.

The EU repeatedly ignores the wishes of the voters. In 2004, the Constitutional Treaty was rejected in a popular referendum in France and the Netherlands. These rejections killed the EU Constitution—but not for long. In 2009, the EU agreed to the Lisbon Treaty with, according to analysis by the London think tank Open Europe, 96 percent of the text the same as the Constitutional Treaty.

In fact, the author of the Constitutional Treaty famously said about the Lisbon Treaty that “all the earlier proposals will be in the new text, but will be hidden and disguised in some way.” And, a resolution of the European Parliament on the Lisbon Treaty welcomed “the fact that the mandate safeguards the substance of the Constitutional treaty.”

Even though the two treaties are virtually the same, the only country that put the Lisbon Treaty to a popular referendum was Ireland—because it had to, by law. In June 2008 the Irish people rejected the treaty. Immediately, EU elites called for a “period of reflection,” held another Irish referendum on October 2009, and it finally passed. Far from being a major “milestone in our world’s history,” as described by U.S. Secretary of State Hillary Clinton, the Lisbon Treaty laid the foundations for much of the public disdain we are seeing today.

Another problem lies with the EU taking powers from the member states. The EU, especially the commission, loves to create new laws. In 2009, the most recent year for which I could find information, the unelected commission proposed and adopted 1,779 pieces of legislation—almost five pieces per day. This places a tremendous

burden on the member states that have to comply with this legislation.

According to one estimate, around 10 percent of all U.K. law is decided at the EU level, but, crucially, this includes 50 percent of all business legislation that is so important to jobs and growth. In many cases these laws are viewed as overly intrusive and unnecessary. Some of these ridiculous and wasteful regulations have included EU-issued guidelines for the selling of bananas—ensuring that they are a certain size and shape—and a toy-safety directive that prohibits children under the age of eight from blowing up balloons without adult supervision. Or, the more recent EU regulation banning drink manufacturers from claiming on their labels that water can prevent dehydration.

Also not helping the popularity of the EU is the image of excessive spending on nonsense—especially in an era of financial austerity. Last year, the EU spent €300 million (\$395 million) on translating 2.11 million pages of documents into the EU’s 23 official languages. The EU has 27 member states. The United Nations, with 193 member states, manages with only six official languages. NATO, with 28 members, manages with two languages.

Although based in Brussels, in Belgium, the European Parliament holds a plenary session once a month in Strasbourg, in neighboring France, at the cost €180 million (\$24 million) a year—when it could easily stay in Brussels for no additional cost. Moves to change this arrangement have nevertheless been blocked by the European Court of Justice.

As we speak here this afternoon negotiations are taking place in Brussels over the EU’s budget. The U.K., the Netherlands, and Denmark are calling for a cut. Germany, France, and Italy are calling for an increase. I thought British Prime Minister David Cameron summed it up best when he said: “Frankly, the European Union should not be immune from the sorts of pressures—we have had to reduce spending, find efficiencies and make sure that we spend money wisely.”

If a reduction in EU spending is agreed, it would be the first time the bloc has cut its budget in its 56-year history.

## **What Europe Needs to Do**

Europe needs to return to fundamental basics of democracy. Power needs to be brought back to the member states and to the people. The intrusive and excessive EU regulations need to be curtailed. The wasteful spending in Brussels needs to end. Economic policies of growth need to be pursued. The excessive borrowing and entitlement programs need to stop.

In addition, European leaders need to start being honest with their people and stop ignoring that there is a serious problem in Europe. Just three weeks ago we heard Wolfgang Schäuble, German Minister of Finance, say that Europe is “over the worst of the crisis.” Nobody actually believes this because we have heard this all before.

In 2009, the Irish Minister of Finance, Brian Lenihan, said that “Our plan is working. We have turned the corner.” In 2010, the European Central Bank’s chief economist, Jürgen Stark, proclaimed that “the worst is over ... The IMF is underestimating the strength of the economy in Europe.” In 2011, then-French Minister of Finance (now director of the IMF) Christine Lagarde said: “I think the euro zone has turned the corner.” In 2012, Herman von Rompuy, the European Council President declared that “we have turned a corner.”

In fact, a quick Google search shows more than 20 examples of this hubris. Because EU elites have so much staked on the European project, they are in denial that it is not working as planned. For many in Brussels the answer to the current economic crisis is deeper integration.

But that is what has brought Europe to the brink today. After decades of European integration, in dozens of policy areas, Brussels needs to realize that enough is enough.

Former EU Commission president, and architect of the single currency, Jacques Delors said in a 2011 interview with *The Daily Telegraph* that the current crisis stems from “a fault in execution” by the political leaders who oversaw the euro in its early days. He suggested that European leaders at the time chose to turn a blind eye to the fundamental weaknesses and imbalances of member states’ economies. He told *The Daily Telegraph* that: “The finance ministers did not want to see anything disagreeable which they would be forced to deal with.”

Europe didn’t get it right then. Now we see the consequences. What makes anyone think that another round of integration will be any different? At a time in our history when the forces of globalization, social media, and the Internet are empowering the individual, the institutions of the EU are trying to centralize more power than ever before. This goes against the natural state of affairs of modern and liberal democracies in the 21st century. Power must be able to flow back to member states, not just away from them.

This isn’t a new concept. The commitment to move powers back to the member states was promised by European Union leaders in the Laeken Declaration more than a decade ago. Sadly, this vision has not been fulfilled.

Since the 2001 Laeken Declaration, we have seen more treaties ratified and more powers transferred to Brussels.

Many member states are starting to see that the Brussels power grab has gone too far. In the U.K., the British parliament passed the 2011 European Union Act, which requires a popular referendum on any new transfer of powers to Brussels. David Cameron has also pledged to renegotiate Britain’s relationship with the EU to bring more powers back to London. Under the proposed plan, in 2017 the U.K. will hold an in-out referendum on a new settlement allowing the British people to decide if the U.K. should stay in the EU or leave.

It is not just the euro-skeptic Brits calling for a change. The newly formed coalition government in the Netherlands is also calling for more powers to be brought back to the member states. Buried deep in the “program for government,” agreed by the parties forming the ruling coalition, is a line that states “The Netherlands will ask the European Commission to list the policy areas that... could be transferred to national governments. We will also make proposals ourselves.”

This is the mood across the European Union.

## **U.S. Policy Toward Europe Needs to Change**

So, where does the U.S. play a role in all of this? In my opinion, this current Administration—like previous Administrations—has been far too supportive, almost blindly, of “ever closer union.” Do not get me wrong: I completely understand that since the earliest days of the European project the U.S. has played a role in supporting European integration.

Indeed, the U.S. was the prime driver of European integration in the late 1940s and early 1950s. But only because U.S. national interests were at stake. For example, the creation of the Organisation for European Economic Co-operation in the late 1940s, designed to more effectively distribute Marshall aid funds across Europe, was perhaps the first instance of the U.S. promotion of European economic integration.

U.S. support for the European Defence Community in the 1950s—which was supposed to be an acceptable way for West Germany to re-arm so that American troops based there could be free to go to Korea, was the first instance of U.S. promotion of European defense and security policy integration. The French even sought America’s approval before that of Britain, leading up to the creation of the European Coal and Steel Community—the 1950s predecessor to what we now know as the European Union.

I give these two examples to show that U.S. policy has been, and should be, based on pragmatism and U.S.

interests. The social, economic, and political circumstances after World War II, which led to the creation of what is now known as the European Union, no longer apply today. The EU is not Europe. European NATO allies such as Norway, Iceland, and Albania are not in the EU. Trading partner Switzerland is not in the EU. Many countries in Eastern Europe where the U.S. has geo-political interests are not in the EU.

The U.S. should be very pro-European in the geographical sense, in a trade sense, in an economic sense—but in this day and age there is no reason why this has to mean more and deeper EU integration. U.S. policymakers need to see Europe for what it really is—a collection of sovereign nation states; not for what they want it to be—some sort of supranational United States of Europe.

### **Conclusion**

The political and economic realities facing the EU do not bode well. Instead of increasing policy competencies in opaque institutions in Brussels, power should be returned to the member states and to the people. The member states will have a fight on their hands: Clawing back powers from Brussels will be no easy task. But as the

people living in the European Union become more disenchanted, and the elite in Brussels become more aloof, I can see no other alternative going forward. Those working in the European policy field often hear Henry Kissinger's famous line from the 1970s when he said: "When I want to call Europe, I cannot find a phone number."

I will conclude by sharing what Henry Kissinger said when he was asked about this popular quote in an interview with the German news magazine *Der Spiegel* in 2008:

[the single phone number to Europe] happened. The problem now is: Nation states have not just given up part of their sovereignty to the European Union but also part of their vision for their own future. Their future is now tied to the European Union, and the EU has not yet achieved a vision and loyalty comparable to the nation state. So, there is a vacuum between Europe's past and Europe's future.

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