Technocrats have taken over governments in Southern Europe. This is a challenge to democracy.

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Only Angela Merkel, the German chancellor, has survived a post-crisis election. Italy's Silvio Berlusconi and Greece's Georgios Papandreou were replaced by technocrats. **Jonathan Hopkin** *argues that these recent government changes in Southern Europe are a threat to democracy.*

The Eurozone debt crisis has aggravated an acute crisis of confidence in the European financial system, dragging down the real economy with it. But perhaps more shocking is its impact on the European political system. The deep recession faced by most Western economies since 2008 has left political casualties scattered wherever elections have taken place. Volatility in the financial markets has been matched by volatility in European party systems, as governments are overturned and governing parties suffer serious electoral losses.

It is well established that incumbent parties tend to suffer electorally in tough economic times, and the recent period provides many examples. Elections in the UK, Ireland, Spain and Greece led to governing parties losing, catastrophically in the case of Ireland, merely disastrously in the cases of the UK and Spain. Elsewhere fringe nationalist parties such as True Finns in Finland or the New Flemish Alliance in Belgium made major gains. The only notable exception to this pattern is Germany, where Angela Merkel is the only major European leader to have survived a post-crisis election.

Italian President Mario Monti Credit: Friends of Europe (Creative Commons BY)

The sovereign debt crisis affecting the Eurozone periphery has taken this logic a stage further: in Greece and Italy, governments have fallen before they have had to face the electorate. The replacement of Papandreou by the unelected former ECB member Papademus followed Papandreou's public commitment to a national referendum on the EU's bailout proposal, a project vehemently opposed by the European 'Troika' (the EU, IMF, and the European Central Bank). In Italy, Berlusconi's scandal-tainted reign in power ended as Italian bond yield spreads hit dangerous highs, and EU pressure helped force his resignation and replacement by former European Commissioner Mario Monti.

These episodes may appear to be a political innovation borne out of the need to address an unprecedented financial and economic crisis. This is only true in part. In fact, technocratic, non-partisan rulers fit in perfectly with the way in which European institutions for economic governance have been designed. The Maastricht Treaty laid down rules and created institutions which would remove a good part of the economic policy autonomy that national governments in the EU had previously enjoyed. Policies such as the size of the public deficit and the public debt, formerly the subject of intense political debate between national political parties, were to be subject to strict fiscal rules. Similarly, the creation of an independent European Central Bank with sole control over monetary policy marked the end of decades of political debate over the appropriate balance between price stability and employment.

To this extent, technocrat government at the national level simply mirrors technocratic decision-making at the supranational level. The appointment of Mario Monti to the Prime Minister's office in Italy aims to bind the Italian government to its European commitments of tight fiscal policy and structural reforms, commitments that a populist leader like Silvio Berlusconi could not credibly embrace. European leaders hope that Monti's non-partisan status and his professed intention not to stand for election will allow him deliver the EU's required policies in the teeth of significant political opposition. Indeed, the immediate market reaction to Monti's appointment was a stabilization of the value of Italian treasury bonds as traders began to believe in the

Italian government's professed commitment to austerity (and possibly, to price in likely EU assistance to bolster Monti's position).

After nearly four months of technocratic government in Italy, a more nuanced picture is emerging. First of all, early optimism that Italy could begin to roll over its large public debt more cheaply has run into the stark reality that European financial operators have essentially lost faith in Southern European sovereign debt, due to fears about the feasibility of the austerity and reform package. Put simply, the official position of the European Commission and Central Bank remains that distressed periphery economies all need to simultaneously undergo an economic adjustment that many economists believe is impossible (they must rebalance both very large current account deficits and very large public deficits in a context of zero and possibly negative nominal GDP growth).

Second, although Monti remains very popular according to surveys of public opinion, this popularity has not translated into the kind of political authority needed to impose reforms on entrenched vested interests. The labour market reform currently making its way through parliament is the clearest reflection of this. Faced with pressure from the EU and Italian employers to relax Article 18 of the labour code (which gives some workers a right to reinstatement in cases of unfair dismissal) and the steadfast opposition of the main Italian trade unions, the Monti government has been forced into a compromise that satisfies no-one. There have been similar compromises and concessions in proposed reforms to taxi licences, pharmacies and legal services, all sectors in which well-organized lobbies have long enjoyed protection from market forces, at the expense of consumers.

Monti's difficulties are a salutary reminder that technocratic governments essentially face the same constraints as partisan governments composed of elected politicians: in democracies, policies cannot be imposed on citizens without a minimum of consent. Indeed, it can be argued that professional party politicians, by virtue of having won elections, are in fact better equipped to achieve reform than unelected technocrats lacking any explicit popular support. As I have argued elsewhere, the main obstacle to successful reform in Italy is the lack of any popular enthusiasm for profound changes in the way the country's economy works. Reforms can only work when social support for them can be mobilized, and technocrats are not noticeably well prepared to do this. The dramatic situation playing out in Greece shows this all too clearly.

The travails of European technocrats confirm the powerful findings of Barry Eichengreen's work on the Gold Standard in the early twentieth century. Adjustment through deflation, as the Gold Standard required, was difficult to achieve at the best of times, but became impossible once Western countries had democratized, because no government could hope to win re-election after imposing such severe economic pain on its voters. Technocracy does not provide an answer to this dilemma, because political opposition constrains the implementation of technocrats' reforms just as much as expected electoral defeat constrains party politicians. If the Eurozone periphery is to deflate its way out of crisis, its populations will have to be persuaded, through traditional democratic means, to bear the pain.

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