A European banking union will only exacerbate the Eurozone crisis by further reducing democratic accountability.

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The creation of a European banking union has been put forward as part of the solution to the Eurozone crisis. **Michelle Everson** *argues that a banking union is not a viable solution because it represents a further weakening of democratic structures and a reduction in political accountability. The real crisis, she concludes, is the trend toward increasingly technocratic forms of governance in Europe.*

In the face of heightening sovereign and financial debt crises and loudly expressed fears of contagion within the Eurozone, its members, together with the European Commission, have drawn yet one more rabbit from their hat, committing themselves to the creation of a banking union by the end of this year. Certainly, this time around, remedial proposals designed to save the Euro and Union have been set in a broader political context, whereby immediate crisis-busting measures, so we are promised, will be complemented by a decade-spanning roadmap for deeper political integration within Europe. Nevertheless, given the currently rather sketchy nature of existing political-integration proposals – or, more importantly, their inherently ‘commissarial’ or technocratic nature – this rabbit, too, just like its Fiscal Union and Six Pack counterparts, is also predicated upon a radical expansion in the technocratic governance structures of the EU, or a wholesale transference of the supervisory competence for private Eurozone banks to the ‘constitutionally-independent’ European Central Bank (ECB).

European Central Bank Credit: Jim Woodward (Creative Commons BY)

With this, proposals for European banking union reproduce a disconcerting trend in European crisis response. European malaise may in large part derive from its undue reliance upon a ‘constitutional monstrosity’, or the technocratic construction of Economic and Monetary Union, which has pre-programmed the policy choices of independent institutions, such as the ECB, even unto the edge of systemic collapse. Yet, in crisis, the *only* possible response to technocratic failure would appear to be more rather than less technocratic governance, or even – in the case of Italy – establishment of ‘technocratic government’. For the individual European, and especially so in debtor countries, the immediate correlate to this European technocratisation is just as surely a discernible lack of democratic capacity, or a frustrating ‘non-choice’ between the negative impacts of the identical electoral undertakings of all political parties, or even non-elected bureaucrats, who are unwilling or, more cogently, unable to challenge the economic imperatives – increasingly set in ‘constitutional stone’ – of European technocratic governance in crisis.

Banking union is, accordingly, not simply a final confirmation that sovereign and financial debt crises are inexorably intertwined with one another, such that we require a far more integrated supervisory response to systemic shocks that impact equally upon all national banking markets, regardless of their historic degree of financial imprudence. Instead, it is also one further manifestation of the fact that current economic malaise in Europe is less a result of bad banking behaviour – albeit that its unscrupulous extent never ceases to surprise

– and is, far more, an indication of a deep and long-standing crisis of the abdication of political responsibility for national and EU economic policy, or for the concept of government itself.

In this analysis, the ‘original European sin’ dates back to the 1980s, or to the careless reconfiguration of relations maintained between democratic politics (sovereign will), executive power and ‘autonomous’ market operation that followed in the wake of both intensified European economic integration, and of a ‘permissive consensus’ at national level which was predicated on the assumption that the supposed economic sclerosis of the 1970s would best be combatted through the freeing of markets from their traditional commanding and controlling fetters. Granted, and given former EU Commission President Jacques Delors’ socialist antecedents, the left-leaning integrationist expectation was always one that the Single Market programme would eventually evolve its own complementary social model. Nonetheless, immutable national incompatibilities within Europe were instead overcome as wealth-maximisation became the goal to which diverse political positions could commit – importantly, without fear of blame for its collapse – and economic efficiency became the tune to which all European policy would dance. At the same time, however, this new *laissez-faire* attitude facilitated the growth of EU governance, or *ad hoc* executive institutions, such as committees and agencies, which could compensate for lacking European government. Established without reference to stubbornly anti-integrative democratic process, technocratic governance might instead be legitimated by its functional effectiveness, or ability to structure and oversee an autonomous sphere within which the economic rationalities of market operation might unfold free from governmental interference.

And herein lies the rub: for all their apparent promise of efficiently capable market oversight, the ever expanding technocratic institutions of European governance not only entail further diminution of democratically-legitimated economic steering capacity, but also, and vitally so, fatally obscure the core Hayekian truth that freed markets themselves create uncertainties over which no-one has control. In other words, in crisis, we are still very much subject to the dominant rationality of the past three decades, which, in its commitment to wealth-maximisation and its complementary governance, denies just as it creates the conditions for abdication of political responsibility for market failure. Banking union might have been presented to us by the governments of the Eurozone as a decisive step to overcoming economic malaise in Europe. But, the measure of a continuing lack of political responsibility for crisis management will nonetheless still be found in the degree to which new structures of ECB oversight continue to reproduce the contradictions of the EU’s immediate response to financial crisis in 2008. Or, in the extent to which banking union continues to promulgate the underlying philosophy underlying a barely established European System for Financial Supervision, and its three autonomous European agencies for banking, insurance and securities; a rationality, which promises ‘protection’ for consumers, and against systemic shock, but simultaneously commits European regulators to the fostering of the self-same form of financial product innovation, which might have compensated for a withdrawal of public responsibility for social welfare since the 1980s, but has at the same time played its own diffuse, but surely far more powerful part in promoting and even approving risk, or crisis-inducing behaviour within financial markets than have individual bankers. Once this point is accepted, provision of credit mortgages to the indigent appear less a matter of private market imprudence and more a measure of social welfare that might be approved by the regulator.

Here then is the real measure of current crisis within Europe. Global social thinkers, such as Max Weber, Carl Schmitt and Michel Foucault, have long warned us about the terrible dangers posed by a soulless administration, a ‘technicity’ or a ‘political technology’, which asserts and imposes governing rationalities above political will. To the exact degree that a technocratic trend within Europe continues to pre-empt democratic process and pre-programme policy response to crisis; and to the degree that we continue to refuse to take political responsibility for monetary policy, or, say, for the previous definition of market failure – for example, through return to the traditional, if lacklustre, product of controlled financial markets – we may be risking emergence of the dark counter-movements of social disintegration. Certainly, Hayekian concerns about the equally destructive effects of overweening interventionism must always also be taken seriously. But, even Hayek would surely blanche in the face of our currently perverse reality, which only deceives as it promises ‘certain’ solutions through yet more political abdication.

This article is a shorter version of the LSE, Europe in Question Discussion Paper, no 49, A Technology of Expertise: EU Financial Services Agencies.

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