# Reconstituting capitalism versus reconstituting democracy?

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**Even if research projects deal by definition with the long run, sometimes they become very relevant in the short run because reality ends up chasing what has been the research agenda of a project since its very beginning. Indeed, RECON's work package on the Political Economy of the European Union focuses on the ways and means of redefining the constitutional framework and substantive content of fiscal, tax and social policies of the Union so as to reconstitute European democracy; doing so necessarily implies refunding capitalism. Given that we have been playing the game for a while, what can we say about the present financial crisis?**



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First, the perhaps most acute problem is the tendency to disaggregate democratic legitimacy and efficiency. Neither the "financial" problem, nor the "social" problem are properly characterised as self-standing questions, but are in reality part of the wider democratic question of European and international politics. Contrary to what some Eurosceptics often claim, the European Union is not likely to turn the new Leviathan to-morrow; on the contrary, the present European political order is plagued by pockets of un-governance and illegitimate governance. The "deregulation" (or more fairly, very poor regulation) of financial markets has contributed to the reinstatement of the divine rights of capital. The no longer hidden implication of this is the transfer of decision-making powers from collective public processes to private ones, in which a handful of actors ahs real power. As a consequence, the capacity to take collective decisions has been eliminated and citizens are thus condemned to suffer the consequences of uncontrollable processes of accumulated small private decisions. Thus, our present twin malaises are European un-governance and undemocratic government (to borrow the late Susan Strange's prescient categories). It is rather obvious that the "emergency" character of the rescue plans has already seriously damaged democratic legitimacy at the national level. It is not obvious, however, why the crisis was not predicted, given the steady deterioration of financial markets for almost a year. Why not even the European Commission had concrete action plans prepared an advance is puzzling.

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Furthermore, most national governments have irresponsibly gambled on the fact that these operations would not cost a cent to taxpayers (the liabilities being contingent and hopefully remaining so forever). It is not impossible that the cost will be considerable, at least in the short and mid run, and still, parliaments were not expected to discuss the content of plans that would potentially cost up to 15 percent of the GDP, but only to bless them ex-post.

Second, both the "financial" and the "social" problem should be disaggregated. Instead of describing an amorphous beast of unclear contours, we should specify the concrete elements that were at the origin of both problems. In particular, in WP 7 we have already made quite some work on redefining the "social" problem of the Union as a problem stemming from the undemocratic design of its institutional and decision-making set up. Similarly, we have come some way in elucidating the actual changes in the constitutional law and political practice of the Union, which has resulted in Community law becoming a vehicle for the re-instauration of the "divine rights of capital". In particular, it seems that the move from a "non-discrimination" approach of economic freedoms, a basic feature of the common market, to an "obstacles" approach of economic freedoms, sparked by the Single European Act and perhaps decisively by the 1988 Directive that redefined free movement of capital, has resulted in major democratic problems.