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## **The crisis of democracy and the role of the State in today's Europe**

### **Report<sup>1</sup>**

Committee on Political Affairs and Democracy

Rapporteur: Mr Andreas GROSS, Switzerland, Socialist Group

### *Summary*

After the outbreak of the global financial and economic crisis, many European democracies turned out to be powerless in the face of market forces, and thus suffered further loss of credibility on the part of their citizens. People in several European States lost a great part of their “popular sovereignty” – the only source of legitimate political power.

The report aims to explore how democracy might be strengthened again, how the primary role of politics could be restored and whether popular sovereignty should not also be constituted at a transnational level in order to be better respected by economic powers.

While a sound State needs a lively and strong democracy, the latter, in turn, needs a sound State in order to respond to citizens' expectations. It proposes ways of restoring public confidence in democratic institutions.

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1. Reference to committee: [Doc. 12338](#), Reference 3711 of 4 October 2010.

<b>Contents</b>	<b>Page</b>
A. Draft resolution .....	3
B. Explanatory memorandum by Mr Gross, rapporteur .....	5
1. Introduction .....	5
2. Summary of previous debates on the state of democracy in Europe .....	6
3. Perceptions of the ongoing crisis of democracy .....	8
3.1. The concept of democracy in this report and its different dimensions.....	10
4. Main developments since 2010: democracies and States in deeper crisis.....	13
4.1. The three main challenges facing all of Europe's democracies today.....	14
5. Strong democracy and the State that it needs.....	15
5.1. Sound as opposed to weak States .....	16
6. Sound States and the strong democracy that they need.....	17
7. Strong democracy, sound States, and the strong and sound Europe that they need.....	21
Appendix – Principles of democracy and their expression at three different levels .....	23

## A. Draft resolution<sup>2</sup>

1. In 2011, democracy was at the centre of the European public debate and the object of very controversial perceptions. For those who were especially encouraged by the strong peoples' movements of the Arab Spring, 2011 even became "the year of democracy".
2. However, for many other Europeans, democracy is one of the main victims of the financial crisis which started in 2008. This confirms the conclusions of the 2008 and 2010 Assembly debates on the State of democracy in Europe, according to which European democracies are in a downturn and are experiencing a crisis which undermines the trust of many citizens in their political institutions.
3. The crisis has, in particular, revealed the limits of the power of democracy and has aggravated public distrust in democracy. In a broad sense, it has been the consequence of some serious shortcomings in the functioning of democratic institutions, which were not able to anticipate, prevent, and quickly and adequately react to it without causing hardship to the people whom they are meant to serve and protect.
4. There is growing concern among Europeans who are witnessing the decline of their democratic capacity to cope with the consequences of the international financial crisis.
5. For these Europeans, it became evident that their national democracies were unable to protect them from the negative consequences of a financial crisis. As they do not want to forego the benefits of democracy, some demand instead that democracy is developed at the transnational level in order to provide European institutions with the legitimacy to intervene and limit the market and economic forces in the interest of the basic needs of the people and nature.
6. The global crisis is a consequence of many complex economic factors and regulation deficiencies, some of which result from previous policy mistakes.
7. In a number of European countries, political processes have thus recently come under extreme pressure from, on the one hand, markets and international financial institutions and, on the other, citizens.
8. Faced with the collapse of their economies and, in some cases, the risk of sovereign default, governments implemented harsh austerity policies, including lowering of wages and social benefits and increasing taxes. Confronted with a sharp fall in living standards, which put large clusters of population near or below the poverty threshold, people in many European countries took to the streets protesting, at times violently, against government policies perceived as the diktat of markets, and against being asked to pay the cost of the crisis.
9. The present problems facing democracy are the accumulated result of many years of bad governance, political short-sightedness, and unwillingness of governments and citizens to face reality.
10. In an increasingly globalised economy focused on the financial market, there is a dissonance between the impact financial agents may have on a sovereign State's economy and the fact that their interests may not coincide. Furthermore, the concentration of power in the hands of globally integrated financial networks carries even more risks for the stability of nation States and governments.
11. A sound State is not usually possible without a lively and strong democracy. But a strong democracy also needs a sound State in order to be able to fulfil its potential and to meet the expectations of the citizens, especially by providing social justice. To this end, all means of making a State more accountable should be considered, including the development of close links with representative civil society organisations, the encouragement of a fearless press diverse in its ownership and the promotion of an educated citizenry.
12. After the outbreak of the crisis, States turned out to be the last resort for saving the market economy: the complete disintegration of the financial markets and private banks has only been prevented as a result of State intervention by national governments, which sharply increased sovereign debts.
13. Refinancing private companies from public budgets resulted in an additional tax burden on citizens, and further eroded their trust in the fairness and efficiency of the State.

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2. Draft resolution adopted unanimously by the committee on 29 May 2012.

14. In order to solve the current crisis and devise long-term stabilisation strategies, States should regain or develop capacities to regulate international financial markets. This should also include the ability and political option to tax financial transactions if there is international agreement to this end.

15. Sound States should develop strategies to reduce sovereign debts which, at the same time, preserve economic growth and social integration. This goal includes a State's capacity to collect taxes and adapt taxation levels to the current and long-term needs of society. This also requires acceptability of tax levels by the majority of citizens for a fair sharing of tax burdens.

16. Sound States should also be capable of developing strategies for growth and the modernisation of society, particularly through investments in infrastructure as well as in sustainable development projects, notably for energy saving and the use of renewable energy.

17. For the future, sound States will need increased capacities for co-operation with other States since many policy areas are already too large for most of the nation States to regulate.

18. Sound States are based on strong democracies. To become strong, democracies need to make the existing representative democratic structures more representative. This is possible with the inclusion of direct democratic elements which have to be carefully designed in order to increase citizens' participation, as well as their social learning and their experiences, to be able to determine – together with other fellow citizens – their life. This would contribute effectively to the aim that all tiers of power should be guided by the common interest rather than by particular interests. Failing to do so only strengthens citizens' aversion to public politics and disadvantages also those who act in good faith.

19. In order to be able to defend the sustainability of the European economic and social model and the freedom of citizens to implement European political values, there is a need to Europeanise democracy as well as to democratise Europe.

20. Against this background, the Assembly invites the member States of the Council of Europe to:

20.1. consider, for instance in the framework of the World Forum on Democracy to be held in Strasbourg in October 2012, the ways in which democracy can be strengthened by deepening it at all levels of the nation State and also by constituting it at the transnational level;

20.2. engage in a dialogue with it on the state of democracy in Europe, with a view to devising a concerted action plan;

20.3. consider the ways in which this debate can be organised in member States in order to raise awareness and to explore ways to strengthen democracy, build sound States and democratise Europe in order to prevent it from further losing legitimacy.

## B. Explanatory memorandum by Mr Gross, rapporteur

### 1. Introduction

1. In April 2007, the Assembly held a first debate on the state of human rights and democracy in Europe. This was a landmark event in the ongoing efforts of the Assembly to consider the significance and development of the application of the fundamental values upheld by the Council of Europe, and of the challenges faced in the 21st century.

2. Subsequently, the Assembly decided to hold such debates on a biennial basis: in 2008, the focus was on “Specific challenges facing European democracies: the case of diversity and migration”, while the 2010 debate dealt with “Democracy in Europe: crisis and perspectives”.

3. Over the past two years, it has become increasingly clear that the current global financial and economic crisis not only has an effect on economies and people’s daily lives, but also – and this is of great concern – has a serious adverse impact on the functioning of democratic institutions and dramatically undermines public trust in them, revealing the limits of States’ capacity to counter, let alone prevent, such crises. It thus entails a systemic threat to the sustainability of democracy as such.

4. This is why I tabled two motions, one on “How much and what kind of State is needed in a democratic and just society?” and the other on “The erosion of confidence in democracy and possible responses”, which the committee decided to deal with jointly in a single report on “The crisis of democracy and the role of the State in today’s Europe”.

5. In the framework of preparation of this report, the committee held two hearings. The first took place in Paris on 15 November 2011 with the participation of: Dr Felix Roth, Research Fellow, Centre for European Policy Studies (CEPS), Brussels, and Ms Petra Dobner, Professor of Political Science, expert on governance, Institute of Political Science at Hamburg University. The second took place in Paris on 14 March 2012 with Mr Theo Schiller, Professor of Political Science, Institute of Political Science at the University of Marburg, Mr Martin Schaffner, Professor emeritus, History Department of the University of Basel, and Mr Adam Krzemiński, Editor of the news magazine *Polityka* (Poland). I wish to thank these experts for their input in the committee’s debate.

6. I am particularly grateful to Professor Schiller, who took part in the second hearing and provided a much appreciated written contribution on which the present report has been based.

7. I also wish to thank our colleague Luca Volontè for tabling a motion for a resolution on “The impact of global financial power on democracies” (Doc. 12859), which adds further considerations relating to the dangers that global financial networks entail for the stability of nation States and governments.

8. The three main purposes of the report are:

- to illustrate how much legitimacy and strength our traditional democracies have lost since Europe was struck by deep financial crisis. Indeed, people in several European States have today lost a great part of their “popular sovereignty” – the only source of legitimate political power since our democracy was first conceptualised by Jean-Jacques Rousseau, whose 300th birthday is being commemorated this summer;
- to explore how democracy might be strengthened again, how the primary role of politics could be restored and whether this popular sovereignty should not be constituted instead at transnational level in order to gain more respect from those with economic power;
- to show that strong democracies need sound States and that States can only be sound when their powers are controlled by citizens. One of the reasons why our democracies have become so weak is that, for far too long, the importance of building sound States to protect people and act in their general interest has been overlooked.

9. This report should be seen as part of our ongoing efforts mentioned in paragraphs 1 and 2 above and as a continuation of the analysis of the problems of contemporary democracy that we started in previous reports on “The state of human rights and democracy in Europe” (2007),<sup>3</sup> “The state of democracy in Europe,

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3. [Doc. 11203](#).

Specific challenges facing European democracies: the case of diversity and migration” (2008)<sup>4</sup> and “Democracy in Europe: crisis and perspectives” (2010).<sup>5</sup> In addition, a brief summary of the previous reports is included in chapter 2 below.

## 2. Summary of previous debates on the state of democracy in Europe

10. We have all agreed that it is impossible to identify a perfect model of democracy. While there is general consensus on the main principles of democracy, there is no agreement on a single perfect way of implementing them. There are too many variables, including geography, history, tradition, culture, the state of development of the country, the way in which values and beliefs have shaped democracy and the way in which democracy has come about.

11. There is no single democracy amongst our member States which has been spared by the crisis. The paradox of today’s democracies is that, although never before have so many people lived in democracies, never before have so many people been disappointed with the quality of the democracy they live in and experience on a daily basis. I regard this as a crisis situation in our contemporary democracies necessitating greater understanding and more action, with a view to investigating every means of strengthening, developing and improving our democracies.

12. Democracy also offers real promise in terms of fair distribution of life chances and opportunities for all. The way in which democracy is exercised at present does not allow it to deliver on these promises. This is one of the main reasons why so many citizens in today’s Europe are turning their backs on institutionalised politics, not taking part in elections or, if they do vote, are showing populist, nationalistic and even xenophobic tendencies, a phenomenon we have witnessed in every part of Europe, eastern, central and western.

13. As a result of the imbalance of power between economics and democracy, important decisions are increasingly being taken outside parliaments and outside the democratic process as a whole. More and more decisions, on the other hand, are being prompted by non-democratic holders of power and decision-making authority. People have doubts about democracy because they feel unable to influence the political decision-making process on issues of the utmost importance to their daily lives.

14. Furthermore, if we want to overcome the crisis of democracy we must give thought to how to stop identifying democracy with mere representation and how to build democracy at transnational level, including the level of the European Union. At the same time, when it comes to enriching representative democracy with elements of direct democracy, we have seen some examples showing us how to design such processes in such a way that majorities can never call into question the fundamental rights of minorities.

15. The virtual impossibility of putting forward an ideal model of democracy and the fact that democracy is an ongoing and never-ending process make it even more important to draw up criteria for evaluating the state of democracy. In my 2007 report in particular, I proposed the establishment of sets of criteria which could be used to classify and improve four different stages of democracy: basic, developed, stable and strong.

16. I also proposed, for the purpose of evaluating the quality of democracy, a definition of its five constituent dimensions, and the three levels at which the validity of these principles was to be tested: the micro-level of the individual citizen, the medium-level of social groups and political organisations, and the macro-level of governmental institutions and governance. This allowed specific achievements and shortcomings of democracies in Europe to be assessed and the four stages of democracy, identified on the basis of the sets of criteria, to be defined as the basis for more effective programmes and efforts to make our democracies more democratic.

17. In my 2008 report, I further developed my arguments, considering as well another context, that of one of the most important challenges that our democratic systems face at present, namely the considerable increase in migration. Indeed, the standards and stages of democratic systems that I identified in the 2007 report were viewed in the light of practice and experience in our countries in my 2008 report. In the latter report, I put forward, in particular, an improved table for the purpose of evaluating the quality of democracy in our countries, adding another two constituent dimensions: diversity and integration, and culture of citizenship. This resulted

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4. [Doc. 11623](#).

5. [Doc. 12279](#).

in 21 fields in which the substance of the respective principles was outlined for each level, for example “freedom of association” and “protection of minorities” as the expression of the first principle (“fundamental human rights”) for all parties at the medium level, for example groups and organisations.

18. As the 2008 debate focused on the diversity and migration issue as one of the challenges currently facing European democracy, the report demonstrated the extent to which migrants, who make up a large proportion of our societies, may enjoy the rights deriving from the requirements (criteria) for basic democracy (the first of the four stages of democracy that I described). This question is also linked to the assessment of the quality of democracy in our countries, as it implies representation and participation in the political decision-making process. As our societies will continue to diversify as they modernise, we will, if we turn a blind eye to this process and do not endeavour to include the large groups of migrants and people of migrant origin in our democratic systems, jeopardise the very principle and future of democracy in our countries.

19. The 2010 debate took place against a background of global economic crisis accentuating the symptoms of a crisis of democracy, including the lack of necessary regulation and control of financial interests and the growing public disinterest in the existing institutionalised procedures of democracy. The report was intended to verify the relevance of the quality of democracy criteria in the light of the new situation, and to present the prospects for the “democratisation of democracy”.

20. The 2010 report took stock of developments in various parts of Europe, including a number of central and eastern European countries where some worrying signs of “democratic fatigue” were perceptible 20 years after the fall of their former regimes, and some western European countries where the limitations and shortcomings of applying direct democracy and the dangers of unlimited collection of personal data were emerging.

21. The 2010 report concluded that the crisis in representation required a different approach to the political relationship between society and authorities, in addition to the traditional forms of mandate and delegation. Without questioning representative democracy, it argued that representation could no longer be the only expression of democracy. Democracy needed to be developed beyond representation, through the introduction of more sustained forms of interaction between people and authorities in order to include direct democratic elements in the decision-making process. Participatory democracy should be enhanced as a process in which all persons, not just nationals, are involved in the conduct of public affairs at local, regional and national levels.

22. Democracy should be understood not just as a system or as the sum of individual rights, but as a form of society which requires rules for social justice and redistribution and implies not only delegating and taking decisions, but also discussing and living together in dignity, respect and solidarity. The renewal of politics also requires the development of a new culture of political responsibility, to be considered in terms of responsiveness and accountability, as well as transparency, on the part of those who govern.

23. The right to participate in the conduct of public affairs, be it at local, regional or national level, is a human right and a fundamental political freedom and should therefore be embodied as such in the European Convention on Human Rights (ETS No. 5).

24. The 2010 report also called for humanisation and democratisation of the process of globalisation. The Council of Europe’s contribution could entail the development, along with other players, of guidelines to regulate globalisation in a way that fully respects human rights, including social rights, ecological imperatives and the rule of law.

25. The three reports end with a number of proposals for overcoming democratic deficits in Europe. The 2007 report suggested measures to extend and enlarge rights of participation: the participatory rights of the citizens of Europe should no longer be linked to citizenship, but to length of residence, and they should be extended through forms of participatory democracy. The 2008 report presented possible measures to increase and encourage the participation of migrants in political life and to remedy the situation in countries where a large part of the population was excluded from the democratic process, the main ones being naturalisation and the granting of political rights to non-citizens. The 2010 report called for the establishment of participatory and deliberative structures open to all who live in the country, the strengthening of independent supervisory institutions so as to enhance political responsibility and accountability, and the consolidation of the Council of Europe’s democracy pillar through, *inter alia*, the setting up of a Strasbourg Democracy Forum.

### 3. Perceptions of the ongoing crisis of democracy

26. Democracy was at the centre of European public debate in 2011. Those who focused on the “Arab Spring” were delighted by several strong peoples’ movements for freedom, democracy and the respect of human rights and dignity in regions where many Europeans would not have expected them. The director of the Al-Ahram-Centre for Political and Strategic Studies in Cairo, Gamad Abdalgawad Soltan, compared this with what happened in 1848 in Europe: “It was at that time in Europe that peoples became politicised and started to play a role in politics, paving the way for great change. That is what is now happening in the Arab world. Thanks to modern technologies, mobilisation opportunities today are greater and more efficient. That is why things are moving faster in the 21st century than they did in the 19th, and why the change will not take as long as it did back then in Europe”.<sup>6</sup> Early in 2012, at a public debate in St Paul’s Church in Frankfurt, which had hosted the first German parliamentary assembly in 1848, Soltan said that, for him, 2011 was clearly “the year of democracy”.<sup>7</sup>

27. Those European democrats who focused on Europe itself were less happy. Well-known German philosopher Jürgen Habermas wrote an appeal to all Europeans headed “Save the dignity of democracy”. He opposed the transfer of budgetary powers from national parliaments to an unelected European body and the European Council (Heads of State), saying that: “A democratic Europe must look different.”<sup>8</sup>

28. Another famous philosopher, Indian economist and Nobel Prize winner Amartya Sen, also reminded his readers that “It isn’t just the Euro. Europe’s democracy itself is at stake”.<sup>9</sup>

29. Sen’s thoughts and conclusions are remarkable:

*“Europe has led the world in the practice of democracy. It is therefore worrying that the dangers to democratic governance today, coming through the back door of financial priority, are not receiving the attention they should. There are profound issues to be faced about how Europe’s democratic governance could be undermined by the hugely heightened role of financial institutions and rating agencies ...*

*Two distinct issues need to be separated. The first concerns the place of democratic priorities, including ... the need for ‘governance by discussion’. Suppose we accept that the powerful financial bosses have a realistic understanding of what needs to be done. This would strengthen the case for paying attention to their voices in a democratic dialogue. But that is not the same thing as allowing the international financial institutions and rating agencies the unilateral power to command democratically elected governments.*

*Second, it is quite hard to see that the sacrifices that the financial commanders have been demanding from precarious countries would deliver the ultimate viability of these countries ... The diagnosis of economic problems by rating agencies is not the voice of verity that they pretend. ...*

*Since much of Europe is now engaged in achieving the quick reduction of public deficits through drastic reduction of public expenditure, it is crucial to realistically scrutinise what the likely impact of the chosen policies may be, both on people and the generating of public revenue through economic growth. The high morals of ‘sacrifice’ do, of course, have an intoxicating effect. ...*

*In addition to a bigger political vision, there is a need for clearer economic thinking. ...*

*The fear of a threat to democracy does not, of course, apply to Britain, since these policies have been chosen by a government empowered by democratic elections. ...*

*How did some of the euro countries get into this mess? The oddity of going for a united currency without more political and economic integration has certainly played a part, even after taking note of financial transgressions that have undoubtedly been committed in the past by countries such as Greece or Portugal (and even after noting Mario Monti’s important point that a culture of ‘excessive deference’ in the European Union has allowed these transgressions to go unchecked). ...*

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6. Frankfurter Allgemeine Zeitung, 12 July 2011.

7. Deutschlandfunk, 22 April 2012.

8. Frankfurter Allgemeine Zeitung, 5 November 2011.

9. The Guardian, 22 June 2011.

*Rearranging the eurozone now would pose many problems, but difficult issues have to be intelligently discussed, rather than allowing Europe to drift in financial winds fed by narrow-minded thinking with a terrible track record. The process has to begin with some immediate restraint of the unopposed power of rating agencies to issue unilateral commands. These agencies are hard to discipline despite their abysmal record, but a well-reflected voice of legitimate governments can make a big difference to financial confidence while solutions are worked out. ... Stopping the marginalisation of the democratic tradition of Europe has an urgency that is hard to exaggerate. European democracy is important for Europe – and for the world.*<sup>10</sup>

30. Sen's analysis was taken further by an article in the *Neue Zürcher Zeitung* (NZZ), in the light of a report issued by the European Bank for Reconstruction and Development (EBRD), under a headline that was a statement rather than a question: "Democracy as a victim of the crisis. Growing sympathies for alternative political systems in the east European EU member States".<sup>11</sup> The EBRD report shows that the "mood turned further against democracy and the market in advanced transformation States (like Slovakia, Slovenia, Romania, Latvia and Lithuania) because these countries were hit after 2006 by steeper economic downturns than during previous recessions in the early and mid-1990s".

31. This raises some fundamental issues addressed in several articles by German sociologist Wolfgang Streeck, Director of the Max Planck Institute for the Study of Societies, Cologne.<sup>12</sup>

32. Last autumn he wrote: "In the years immediately after the Second World War there was a widely shared assumption that for capitalism to be compatible with democracy, it would have to be subjected to extensive political control ... in order to protect democracy itself from being restrained in the name of free markets."<sup>13</sup>

33. This assumption is no more. After experiencing market forces without any kind of political containment, many people are looking for a new balance. But there is no consensus as to how such a balance can be struck and what it should look like.

34. At the end of his article Streeck writes: "More than ever, economic power seems today to have become political power, while citizens appear to be almost entirely stripped of their democratic defences and their capacity to impress upon the political economy interests and demands that are incommensurable with those of capital owners. In fact, looking back at the democratic-capitalist crises sequence since the 1970s, there seems a real possibility of a new, if temporary, settlement of social conflict in advanced capitalism, this time entirely in favour of the propertied classes now firmly entrenched in their politically unassailable stronghold, the international financial industry."<sup>14</sup>

35. The French newspaper *Le Monde* has reported that the powerful democratic protest against the devastating social effects of the financial crisis in Spain stems from people's disappointment with the existing democratic system: "The lesson of the Indignados: the same feeling unites them, that of not being heard by politicians, of being kept out of a system that has become deaf and blind to the concerns of citizens 'on the street'."<sup>15</sup>

36. German political scientist Hans Vorländer has the impression that European politics is a kind of "game that citizens can't play". He summed up a major article in the following terms: "The legitimacy of democracy is existentially endangered, because it is founded on more than just proper implementation of decisions. A democratic order can be regarded as legitimate only if citizens have the impression and belief that they can play an adequate part in democratic life and that good and fair political decisions are made. This is not the case at present."<sup>16</sup>

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10. *The Guardian*, 22 June 2011.

11. *NZZ*, 16 November 2011.

12. See *Lettre Internationale* (Berlin), autumn 2011 and spring 2012, *New Left Review* (NLR) (London), September 2011 and January 2012, as well as a major interview in *Zeit Online* (Hamburg), 28 December 2011.

13. Wolfgang Streeck, *The crises of democratic capitalism*, in NLR, No.71, September/October 2011, p. 1.

14. *Ibid.*, p. 12.

15. *Le Monde*, 24 May 2011.

16. *Frankfurter Allgemeine Zeitung*, 12 July 2011.

37. Hardly anybody challenges the hypothesis that democracy is in crisis today. It is not the need for democracy – as the way of organising public affairs for the people's greatest benefit – which is cast into doubt. The problem of today's democratically organised States is not the normative power of democracy. The problem is that in their actual day-to-day existence today's democracies find it very difficult to deliver what most people expect of them.

38. Peter Wilby wrote in *The Guardian*: "The unravelling of the euro is not just an economic and financial crisis, it is also a crisis of democracy. The peoples of Europe are losing the capacity to determine their own futures. From Antwerp to Athens, they are told that there is no alternative."<sup>17</sup>

39. "Democracy is rubbish" was the title of an article by the editor-in-chief of Germany's leading daily newspaper which has since often been quoted. Frank Schirrmacher wrote the article last autumn, after the announcement by Georgios Papandreou that a referendum would take place in Greece about the country's future membership of the euro: "Anyone who asks the people becomes a threat to Europe. That's the message of the markets, and for the past day it has also become that of politics. The currency of 'republicanism' is collapsing. ... We are watching the dramatic degeneration of those values and convictions that once seemed to be embodied in the idea of Europe. ... It is becoming ever clearer that what Europe is going through at the moment is not just an episode, but a power struggle between the primacy of economics and the primacy of politics."<sup>18</sup>

40. The nation State has a limited capacity to cope with problems that lie beyond its control. It "is too small for the big things".<sup>19</sup> National sovereignty is too weak to produce strong transnational institutions which are capable "of mediating conflicting political interests across nations".<sup>20</sup> That is why we need transnational democracy to create the strong legitimacy which the new transnational institutions need to intervene in the markets in order to defend the general interest and the public good.

### **3.1. The concept of democracy in this report and its different dimensions**

41. "Democracy" belongs to the most "essentially contested concepts" of our time,<sup>21</sup> although nobody challenges its universal importance in order to organise politics "in a reasonable way".<sup>22</sup> The intensity of the contest around the substance and scope of the concept, not least in our Assembly, can be explained by at least three aspects: the concept is in normative terms almost overloaded or overburdened; this "normative load" is very different historically, culturally and regionally, there being no universal consent on its own fundamentals; and these different priorities and burdens are realised in different forms (polities).<sup>23</sup> This is why the "crisis of democracy" is also seen and perceived in many different ways.

42. Following in the footsteps of Thomas Christiano, two German political scientists, Ingo Take and Dirk Jörke of Greifswald, take democracy to mean political equality. "Political equality is the core of the idea of democracy and means an equal participation of all citizens in the political decision-making process".<sup>24</sup> Although citizens are not all equally powerful and may use different sources of influence, every citizen in any democratic election or referendum has only one vote. This fundamental equality in the democratic polity is in danger if global and supranational power structures undermine it. This is why British political scientist Colin Crouch coined the term "post-democracy" to characterise today's European democracies. German philosopher Jürgen Habermas called for a new reconciliation between the idea of democracy and what he calls the "post-national constellation" of our time. Habermas can clearly see what this reconciliation entails: he thinks that the European Union needs a real constitution, which has to be accepted by a majority of European citizens and by the European member States.<sup>25</sup>

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17. *The Guardian*, 14 November 2011, p. 27.

18. *Frankfurter Allgemeine Zeitung*, 1 November 2011.

19. As famously stated by former German President Richard von Weizsäcker.

20. Martin Schaffner (Basel), Introductory statement to the meeting of the Committee on Political Affairs and Democracy in Paris on 14 March 2012, p. 4.

21. Walter Bryce Gallie's concept (1956), quoted in Dirk Jörke/Ingo Take, "Vom demokratischen zum legitimen Regieren?" in *Politische Vierteljahresschrift*, Wiesbaden, 2/2011, p. 286.

22. This is how Amartya Sen defines democracy in his book *The Idea of Justice*, London, 2009.

23. Jörke/Take, op. cit., p. 287.

24. *Ibid.*

25. Jürgen Habermas, *Zur Verfassung Europas, Ein Essay*, Berlin 2011.

43. Others, such as Andrew Moravcsik, deny that there are “democratic deficits” in the European Union context. He says that States are still the “masters of the treaties”, and that those “masters” are the winners of democratic national elections. Others, amongst them David Held, Daniele Archibugi and Otfried Höffe, do not deny the deficits of the traditional structures of today’s global and European governance, and are endeavouring to develop some kind of strategy intended to transform the democratic polities of the nation State at a transnational level, in order to build a kind of multi-level “cosmopolitan democracy”.

44. A third group, while not denying the democratic deficits of today’s global and transnational governance, tries to overcome these shortcomings through a new definition of the concept of democracy. Its members try to “transform” the concept of democracy by including – for the transnational level – international NGOs (INGOs) such as Amnesty International, Greenpeace and Human Rights Watch instead of citizens, and giving them a role in global institutions.<sup>26</sup>

45. Another kind of transformation and adaptation of democracy to the transnationalisation and globalisation of politics is proposed by those who – with John S. Dryzek<sup>27</sup> – argue that deliberations can produce the legitimacy needed by democratic politics and hitherto provided by democratically elected national representative institutions. They all subscribe to Jürgen Habermas’ well-known view that “democratic procedures gain legitimising power not just through participation but also through the general openness to all of the deliberative process which fosters the reasonable outcomes so keenly expected by all”.<sup>28</sup>

46. At any event, there seems to be broad agreement about at least some of the basic elements of democracy:

- freedom and equality as fundamental human rights;
- popular sovereignty (government and government policies dependent on the will of the people);
- a set of political institutions whereby governmental decision-making depends on the will of the people, particularly a system of political representation by regularly elected parliaments; political parties constitute a core element of representation as they actively transform political preferences and interests into governmental programmes and provide candidates for the offices responsible for carrying them out. Possible additional institutions include presidents, constitutional courts, etc., and there are as well, of course, the elements of direct democracy, such as forms of legislative initiative and referendum;
- an informal pattern of civil society initiatives, groups and organisations (pluralism) which formulate, aggregate and express a wide range of preferences, wishes and interests of the people and fuel public deliberations on the problems and issues of everyday life.

47. My earlier reports on the state of democracy in Europe presented a more specific concept of fundamental value dimensions of democracy which can help to analyse the forms, qualities and problems of democratic orders (see table in the Appendix).<sup>29</sup> These must not be understood as absolute values but rather as minimum standards which make it possible to define democracies’ degrees of quality and also to identify more clearly specific deficiencies of democratic systems.

48. And we should never forget that democracy is an ongoing, never-ending process. Wherever the starting point is, this process will never lead to a perfect democratic system. Democracy can also be understood as a set<sup>30</sup> of more than a hundred essential components, each in a dynamic and, it is to be hoped, progressive movement. But some of them might also shift to a regressive dynamic and thus contribute to a loss of democracy and a decline in its quality.

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26. Steffek, Jens and Hahn, Kristina, 2010, *Evaluating transnational NGOs*, Houndmills: Palgrave Macmillan.

27. John S. Dryzek, 2009, *Deliberative Global Politics. Discourse and Democracy in a Divided World*, Cambridge, Polity Press.

28. Jürgen Habermas, 1998, *The postnational constellation*, quoted in Jörke/Take, op. cit., p. 292.

29. In the table (see Appendix) these seven dimensions are applied to three levels: individual citizens (micro-level), aggregated and organised groups (medium level) and governmental institutions (macro-level).

30. In Germany, the term “Gesamtkunstwerk” [universal artwork] has come to be applied to this set, also encompassing the quality of the relations between its components.

49. Instead of focusing on a static or idealised concept of democracy, I would like to take a look at Martin Schaffner's efforts to conceptualise it during our committee's hearing in Paris:

*"I argue for a conceptualisation of democracy which stresses the dynamics inherent in democratic political systems, i.e. their capacity to adapt themselves to the changing conditions of history (as e.g. in France in the transition from the political system of the Fourth to the Fifth Republic). We should focus on the change which democracies are undergoing, their change in the past, and the change through which they will be transformed in the future.*

*The best evidence of the dynamics in question are the three basic transformations democracy went through in the course of its history.<sup>31</sup> First, it grew out of a purely local into a national institution (as in North America). Secondly, it evolved to include all male citizens irrespective of their wealth or class (as in France and Switzerland in the first half of the nineteenth century). Thirdly, in another decisive step, democracy enhanced its legitimacy as well as its functional capacity, when women succeeded in obtaining the right to vote during the first decades of the twentieth century.*

*To think about democracy as a dynamic system links it to the historical processes shaping the various forms of democracy. This has three major advantages. First, it broadens our perspective so as to take into account the variety of democratic systems that, for historical reasons, coexisted in Europe in the past and still do so in the present. There are good reasons to maintain, that local and national traditions matter a lot for whoever aims at further developing democracy in Europe. Secondly, it enables us to base our judgment on the actual state of democracy by distinguishing between "more" and "less" democratic systems (as Amartya Sen writing about justice recently recommended us to do<sup>32</sup>). It is the relative achievements of democracies that count, their degree of respect for the will of their citizens by providing just and efficient political participation."*

50. A short list of such essentials of democracy will suffice here. For illustrative purposes, I shall also mention some of the deficiencies which, in the current crisis, strongly endanger democratic values:

- basic human rights and fundamental freedoms, the complement of a limited State, the rule of law as an institutional and judicial guarantee;
- political equality means at least universal suffrage and other opportunities for equal participation;
- openness of the structures of political power, including the separation of powers, opportunities to form organisations and political parties, fair competition offering a chance to gain governmental power;
- diversity and integration imply the protection of minorities and reduction of social inequalities;
- transparency and public deliberation require independent sources of information and an informed understanding of issues;
- effective governance needs resources, governance capacities and substantial output of public goods;
- civic culture includes a sense of democratic community, support for institutions and citizens' motivation to participate in political life in many ways. Optimum quality of these values corresponds closely to a "strong democracy" as defined by Benjamin Barber.<sup>33</sup>

51. The current critical situation of European democracies can be illustrated by some major deficiencies and threats which affect one or more of the basic values mentioned.

52. Human rights and the rule of law are still not guaranteed in several countries. A concentration of power in the hands of the executive and a weakening of the position of parliaments both puts at risk the separation of powers which is the cornerstone of an open political power structure and increases authoritarian tendencies. This process also reflects the growing domination of the global financial industry. The lack of resources in States overburdened by sovereign debt seriously endangers the effectiveness of State governance and undermines social integration and output legitimacy.

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31. See Claudio Franzius, Ulrich K. Preuss, Die Zukunft der Europäischen Demokratie, Heinrich-Böll-Stiftung, Berlin, 2012, p. 92 ff.

32. Amartya Sen, The Idea of Justice, London, 2009.

33. Benjamin Barber, Strong Democracy. Participatory Politics for a New Age, Berkeley, Ca., 1984.

53. Populist parties have grown stronger in several countries, including Austria, Belgium, France, Hungary and the Netherlands, and represent a latent threat in other States. Their confrontation with migrant, Islamic or other minority groups and/or stance against European integration gives nationalistic isolation the upper hand over transnational co-operation, social disintegration over diversity and an irrational simplification of social and political complexity over reasonable public deliberation.

54. Political equality is being reduced by social and political exclusion and decreasingly effective representation. Forms of more active participation are under attack for implying bias against groups in less powerful positions in society. Technocratic patterns of decision-making and concentrated media structures are thwarting the transparency principle. Many factors are at work against a civic culture of participation and confidence in institutions. A dominant position for executive authority combined with weak governance capacities undermines political efficacy, motivation to participate and the sense of “republican community”.

#### **4. Main developments since 2010: democracies and States in deeper crisis**

55. Before 2010, signs of crisis in Europe’s financial and economic systems and democracies could already be clearly observed. Since 2010, the crisis has brought European countries up against even greater challenges, the various elements of which not only represent severe dangers to the basic values and institutional stability of democratic systems, but are also strongly interlinked with structural weaknesses of the State and reveal a problematic shift in the relationship between economic forces and democratic politics. The underlying problems of the functions and capacities of the State should therefore play a major role in this analysis of the state of democracy in 2012. Although not all European countries have been affected by these problems to the same degree, there is no doubt that all countries are subject to a similar trend in terms of those critical factors which tend to weaken States and democracy.

56. Democracy has experienced extreme forms of crisis in three countries of Europe: in Iceland, Hungary and Greece governments have suffered from a dramatic breakdown in citizens’ political trust. In Iceland, in 2008, the banking system – the key branch of the economy – broke down after the demise of Lehman Brothers in New York, making the nationalisation of banks necessary; an election swept the opposition parties into office. In Hungary, an excessive budget deficit and public disappointment about planned cuts caused political uproar, a citizen-initiated referendum and, in 2010, a landslide victory for the Fidesz opposition, which even gained a qualified majority for constitutional amendments. Greece has for several years been facing a most serious and dramatic crisis, caused by an extremely high level of budget deficit and sovereign debt, and the country has subsequently been fighting to remain inside the euro currency system while being saved from insolvency by the European Union, eurozone member States and the International Monetary Fund (IMF). Whilst the two main parties had been competing for power for decades in systems based on patronage and used to spend public money irresponsibly, their turnaround, under external pressure, towards heavy budget cuts led to a total polarisation of Greek political forces, a non-partisan government and, in May 2012, election results which have prevented the formation of a government. In all these cases, a substantial crisis of democracy can be identified.

57. Several other countries came under similar kinds of pressure and had to take serious decisions in order to avoid the disastrous economic consequences of failing financial institutions or of exhausted State funds. In Ireland, the 2008 banking crisis was followed swiftly by an election which changed the governing majority. In Italy, the Berlusconi government’s majority more or less “imploded” in 2011 and was replaced by a “government of experts” led by Mario Monti. In Portugal and Spain, also in 2011, government majorities, under severe pressure because of State debts, structural budget cuts and the need to remain in the euro system, have been replaced by opposition parties in elections which formally seemed to follow a “normal” pattern. In the Netherlands, in spring 2012, a minority government (Rutte) was deprived of parliamentary support by Geert Wilders’ Populist Party when it objected to a budget stabilisation policy. In the Slovak Republic, the government lost its majority for supporting euro stabilisation policies and was ousted in the ensuing election. In Slovenia this year, major cutbacks in welfare programmes have been challenged by popular referenda and also led to new elections, the results of which have made the formation of new government coalitions very complicated.

58. Some of these electoral changes seemed to follow “normal” party competition patterns, as in Portugal or Spain, and others have been influenced by additional factors such as corruption scandals (Slovak Republic). Related policy decisions on budgetary cuts in many eurozone countries have been forced by external players in exchange for support for euro stabilisation (protective “umbrellas”), so under restricted conditions in terms of democratic decision-making. They have, generally speaking, very much been driven by financial and economic crisis pressure and reflect the weaknesses of State structures in these countries.

59. These developments show that, during the period of financial and economic crisis, democracies in many countries have come under severe pressure. Yet, at the same time, the functions, structures and resources of the State have displayed serious weaknesses. It therefore seems necessary to take a closer look at difficulties in terms of State effectiveness where these are relevant to the problems of democracy. As States are losing their capacity to solve economic and social problems and influence the development of society, democratic decision-making cannot offer alternative options to citizens and representative office-holders.

60. Is this the expression of a “deep crisis of democracy”, or even more of “a systematic crisis of democracy”, or how can the present state of democracy best be described?

61. In order to answer these questions, it helps to remember an essential functional aspect of democracy.<sup>34</sup> “Democracy must organise mediation through politics” (to quote Pierre Hassner).<sup>35</sup> The French author stresses that democracies are designed to mediate in conflicts that arise out of and/or between free citizens, social antagonisms and competing claims for power. Democratic mediation entails conflict resolution by political means, through law and on the basis of an overall consensus that excludes violence and civil war. In doing so, it relies on and strengthens the legal equality of citizens (however much they may vary in social status or economic wealth). To put the mediating function of democracy at the centre of the analysis is important because it provides us with a tool to evaluate the performance of democracies, that is to say their success or failure to mediate between conflicting interests, whether they be economic, political or cultural.

62. Does this mean that we are witnessing more than just a crisis of democracy, perhaps its “death” (John Keane<sup>36</sup>), its “failure” or its “erosion”?

63. The presidential elections in Russia and France have provided evidence that democracy is very much alive in those countries, as in many others, even if it is not perfect and may need much improvement. It is worth looking back just a few decades and remembering what elections were like in the Soviet Union or in Third Republic France, where women did not have the right to vote. Comparing the present day to those times, even the most sceptical observer must acknowledge that there is now “more democracy”.

64. Where “failure” of democracy is concerned, there is no doubt that democracies can and do fail, even in Europe, by not carrying out their mediating function successfully, as happened in Germany after the First World War. But there are obvious examples of successful democratic governments in Europe after the Second World War and after the end of the Cold War, and these disprove the diagnosis of failure. If we adopt a longer-term view, rather than limiting our perspective to the present, there is no reason to declare a “failure” of democracy in Europe.

65. It is true that the history of democracy in Europe cannot be recounted as a story of pure progress, as it is one full of setbacks, some of which had catastrophic consequences, but there is a case for arguing that democracy has been a success story in 19th- and 20th-century Europe.

66. Where an “erosion” of democracy is concerned, the word “erosion” suggests a steady decline of democracy in Europe. Perhaps it is the polysemic vagueness of the metaphor that makes it attractive to some commentators. But anyone who uses it should ask him or herself what model of democracy is being used as a basis for his or her judgment. Moreover, what precisely is meant to be eroding? Is it the mediating capacity of democracy? Or citizens’ faith in democratic values and procedures?

67. Nevertheless, we should take seriously the concept of the “erosion of democracy”, because behind it seems to lurk another, equally pessimistic, judgment, the notion that the modern State and its sovereign power, that is to say its capacity to deal with the challenges of the globalisation of markets and communications, are being “eroded”.

#### **4.1. The three main challenges facing all of Europe’s democracies today**

68. The first is citizens’ diminishing trust in political parties, organisations that were crucial to the introduction of democracy in mid-19th century Europe and have been vital to its functioning ever since. They provided fora for political debate, encouraged political socialisation, served as reservoirs of talent leading to political careers, etc. In the last few decades, however, they have been falling into disrepute, as is clear from the rise of populist

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34. Here I again take up some important suggestions made in Martin Schaffner’s contribution to our committee’s hearing of 14 March 2012.

35. *La renaissance de l’espoir démocratique*. Entretien avec Pierre Hassner, *Esprit*, March-April 2011, p. 16.

36. John Keane, *The Life and Death of Democracy*, London, 2009.

movements in nearly all European countries. Whereas it is in their parties that citizens in Egypt, Libya, Tunisia and even Morocco place their political hopes, there is a tendency among European citizens to turn away from political parties. This is more of a problem than it seems at first sight, for, without intermediary institutions, democracies in countries whose population comes increasingly from a wide range of social, religious and cultural backgrounds will not be able to mediate between opposing interests or in rivalries in the fight for political power. In other words, without a fabric of political associations or networks, the system of checks and balances which European democracies have established in the course of their long history cannot work properly.

69. The second challenge is the migration of millions of people within or into Europe. Their political and legal status is a question of utmost importance for the future of democracies in Europe. The granting of citizenship is an act of social recognition, whereas the exclusion of immigrants, even those from second and third generations, from political participation severely impedes democracies' mediating capacity. Growing social tensions over religious issues between the established electorate and groups of immigrants in many European countries are a sign of this.

70. The third challenge is the need to consider the nation State's limited capacity to cope with problems beyond its control. There is no need to list all the problems arising: protection of the environment, regulation of financial markets, security issues, conflict management, and so on. Solutions to these problems require both a strong State and new forms of transnational democracy. The two requirements are linked, since it is unlikely, in Europe, that a strong State and efficient transnational government will succeed unless they have democratic legitimacy. Such is the heritage of the long and complicated history of democracy in Europe since the French Revolution. The challenge is thus to create and implement institutional means of mediating between conflicting political interests, not within nations, but across borders.

71. Even eminent French historian and philosopher Pierre Rosanvallon drew conclusions from the two rounds of the French presidential election in May 2012 reflecting the extent to which democracy itself is central to the changes undergone by our societies. Rosanvallon observed "a confusion of the idea of democracy with the omnipotence of the majority in power".<sup>37</sup> He stressed that "a really democratic republic is one which has not only universal suffrage, but also impartial institutions, an independent justice system, opposition forces ...". Rosanvallon comes back to his old hypothesis that there is still a "crisis of political representation": "There is genuine difficulty bringing social realities into the public debate. Ultimately, being represented means having the feeling that the political world puts into words what people actually experience."

72. But citizens' expectations of democracy also change. Rosanvallon observed that "citizens today want to get involved. It is no longer enough for them to be passive observers ... Every citizen wants to be respected, wants to have his or her say, and no longer has any intention of giving a blank cheque to a representative who would work for his or her benefit".<sup>38</sup>

73. Populism, for Rosanvallon, is the current expression of the "pathologies of democracy". Its common ingredient is a "culture of rejection based on a kind of social protectionism ... It offers as solutions national borders, stigmatisation of immigrants and an anti-system policy whereby elites and immigrants are the scapegoats for every one of society's ills". Essentially, the only way to combat populism, in Rosanvallon's view, is "to work to solve the social question and to create a new framework for democratic life".<sup>39</sup>

## 5. Strong democracy and the State that it needs

74. A strong democracy requires various fundamental elements: adequate institutional arrangements; a basis in a civic political culture and a State structure which corresponds to democratic features. A strong democracy can contribute a great deal to the input going into the political process and to the resulting input legitimacy. A stable and dynamic democracy, however, also needs to bring about political outputs, namely to deliver goods and serve social needs, making politics a meaningful process and potentially leading to "output legitimacy".<sup>40</sup> The process of transforming political goals into governmental decisions, policy programmes and implementation depends to a large degree on the State apparatus and its specific resources, such as finances, laws, regulatory power and administrative capacities. If the State is weak, democratic performance cannot be strong.

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37. *Le Nouvel Observateur*, Paris, 18 May 2012.

38. *Op. cit.*, pp. 9-97.

39. *Op. cit.*, p. 96.

40. Fritz W. Scharpf, *Governing in Europe: Effective and Democratic?* Oxford, Oxford University Press.

75. In this report, when referring to a State which has a strong democracy, we will use terms such as “sound State”, “effective State” or “high quality State”, rather than “strong State”. The term “strong State” would have some rather misleading and contradictory connotations. In most European countries and languages, the term “strong State” would be associated with authoritarian patterns whereby citizens are restricted in their autonomy and freedom and entailing control of its citizens by the State rather than control of the State by its citizens. Particularly in central/eastern Europe this would be reminiscent of the State control exerted under communist rule. Sound or effective States will, on the contrary, be defined by reference not to such negative features, but instead to positive objectives and the prospects of serving the common good of citizens and society.

### **5.1. Sound as opposed to weak States**

76. The soundness and quality of a State give it the capacities to perform its main functions, particularly to define citizenship, provide external and internal peace and security, resolve social conflicts, protect minorities, regulate social relations by law, regulate the economic system, generate public finances (taxes) and other public resources, provide public infrastructure (such as education, communications, social services, transport facilities and utilities, etc.), organise social security (welfare State) and support social integration. These functions imply the operation of fair and effective institutions of justice, police, security and administration.

77. Good performance in these main functions is also crucial to securing the vital preconditions for State and democracy: citizens’ trust in representatives and State office-holders, support for political parties, citizens’ participation in and compliance with policy making, acceptance of political decisions and legitimacy of majority rule.

78. The “soundness” of a State may be endangered by several general factors which reduce the capacity to realise political goals in line with the public good. The most detrimental factor would be arbitrary and unfair use of political, administrative or judicial power. Often such practices are a result of corruption. A closely related factor would be open or hidden pressure from private power monopolies (oligopolies): oligarchs, corporate monopolies or communication monopolies in the form of private television/radio/newspaper monopolies or State media centres. A third factor may be a strong dependency on external sources, such as neighbouring States, for the supply of basic goods such as energy or food. Heavy dependency on foreign finance can have similar effects.

79. The financial crisis (2008-2012) dramatically revealed the major weaknesses of States, with the main features being extreme levels of budget deficit and of accumulated public debt, a rapid economic downturn, soaring unemployment rates and severe cuts to vital services, coupled with an inability to refinance State debts. Background structural causes included imbalance in national economies and lack of competitiveness, lack of capacity to raise taxes, growing social inequality and increasing dependency on global economic players. In consequence, most countries were incapable of developing policies to stimulate economic growth. All these negative features clustered together in the case of Greece. An extreme case of structural imbalances was Iceland, but Ireland and the United Kingdom showed heavy reliance on the financial industry. Spain suffered from a strong dependency on her construction boom, whereas Italy and Portugal displayed rather general problems of weak competitiveness. In central and eastern Europe, some States were strongly dependent on external energy supplies from Russia (Ukraine for example). In general, most countries in the area suffered from the massive low-wage competition of China.

80. The financial crisis of 2008 was sparked, in part, by extremely risky operations by financial institutions and the need to prevent their collapse through the provision of massive State support. The lack of regulation of banks and insurance companies, one of the main causes of the crisis, should have been addressed as a matter of top priority, but States have been basically incapable of realising this regulatory function through national policy decisions. Despite some international activity (G8, G20), the hope of international co-operative regulations has been disappointed. Attempts by the European Union or Eurogroup have also failed to produce the expected results. Thus one of the most dangerous factors of financial instability in the world still awaits a solution. All other efforts by States to cope with the situation of multiple crisis will be jeopardised if no effective global regulation of banks, insurance companies and hedge funds can be achieved. Some new rules in the framework of Basel III which particularly increased banks’ requirements in terms of core capital are important, but not yet sufficient to regulate and limit the high potential risks of the global banking industry. The efforts of some States, like France and Germany, to introduce a joint tax on financial transactions have, unfortunately, not been successful so far. This approach should be supported by as many States and European institutions as possible.

81. High levels of accumulated State debt and of budget deficit are the other most dramatic problem of the current fiscal crisis, which was exacerbated by the banking crisis of 2008, as illustrated by Greece, Ireland, Portugal, Spain and Italy.

82. European stabilisation programmes (EFSF, ESM), despite their huge financial guarantees, can only help to contain massive increases in the costs of refinancing debt levels. Only the Fiscal Pact of the eurozone States to reduce the further accumulation of State debts can have a long-term impact on States' dependency on the financial markets.

83. Massive budget cuts, however, particularly in public services and in social protection, have had an ambivalent and rather counterproductive impact, since demand levels are being curtailed and economic growth halted, and social inequality and poverty are worsening rapidly.

84. Current levels of sovereign debt and enforced budget reductions have prevented the stimulation of economic growth in the conventional way through additional State expenditure. States' resource base has been seriously reduced, and clearly the increasing of State income has not been an option either in many States. This may be attributable to neo-liberal ideologies, international competition to lower tax levels or the failure of the State to collect adequate amounts of taxes. Sound States should have the requisite technical means of collecting taxes, such as tax assessment methods and legal means of preventing tax evasion. They should also be politically capable of raising taxes from corporations and wealthier social categories, and of retrieving the assets that they have quite often transferred to foreign countries. This requires the possibility for governing majorities to gain political support from a majority of citizens, including the lower income groups, for progressive income taxes and property taxes.

85. Sound States should develop strategies and capacities for complex, long-term approaches to achieving economic growth, which would at the same time create employment and serve urgent social needs. An example might, for instance, be a strategy of investment in energy saving and new energies, for example building insulation, renewable energies and improvement of the technologies relating to energy distribution and consumption. This approach will be suited to most European countries, particularly countries in eastern and central Europe which so sorely need new impetus for employment and innovation. Similar long-term concepts may be applicable to sustainable development in other areas of society.

86. While policy making has been confronted with a growing tendency towards volatile conditions, in many policy areas it will be crucial to develop and pursue long-term strategies. Problems of the environment and of climate change, social protection and social services in ageing societies, the setting up of modern infrastructure in the fields of communications and mobility, among others, can only be tackled by applying the principle of sustainability. In particular, the education system at every level needs a stable and innovative concept of long-term programmes and institutions.

87. Many developments in contemporary societies make social integration more difficult, due to factors like economic instability and change, migration, increasing mobility of persons, social differentiation, minority problems, etc. Sound States should therefore develop adequate capacities for social integration, which is also an essential prerequisite of democratic politics. States such as Hungary, "the former Yugoslav Republic of Macedonia" and Romania have shown a serious lack of ability to integrate minority groups appropriately. In all European countries inequality of income and social status has increased substantially in recent years, and quite often the economic crisis has caused dramatic degrees of social polarisation. Developments like this may erode the support base for democratic values and institutions.

88. In many areas, there is a need for States' public policies to entail more co-operation, both with other States and in the framework of regional or international organisations. Economic and political globalisation and, in Europe, the increasing role of the European Union make this requirement more urgent. This applies to EU member States, and even more so to European countries still outside the EU. Economic developments have become more and more interrelated and integrated, and there are also many other social, environmental and security issues that tend to affect more than one State. Co-operative States will be more effective than others.

## **6. Sound States and the strong democracy that they need**

89. Developments of recent years have revealed how vulnerable States and democracies have become in the conditions created by economic globalisation, particularly that of financial markets, and have shown their potential for crisis. Under such conditions, the greatest temptation faced by economic and political elites is to resort to technocratic policy making, which might well lead to authoritarian rule rather than democratic politics.

A strong democracy, however, will give priority to citizens' participation and to allowing them freedom to express their interests and preferences, to choose and support policy decisions, and to control political decision-making through their elected representatives. Institutions and elites must strive to restore citizens' political trust. The democratic process should be guided by the idea of justice and the spirit of community. The recent tendency towards inequality and polarisation in society should be redressed, and we should aim for equal life chances within all the structures of society.

90. Democracy can be strong only if politics are based on input legitimacy and achieve output legitimacy, which would include acceptance of policy decisions by a broad range of citizens and support for political institutions as servants of every sector of society and every social group.

91. A fundamental principle of any democracy must be the rule of law, which guarantees individual rights as well as the rights that ensure freedom of political participation, such as freedom of expression, freedom to communicate and associate with fellow citizens, sign petitions, take part in demonstrations and elections, stand for elected office, etc. In the event of any violation of such rights, there must also be a guarantee of the availability of a remedy within an independent judicial system that includes administrative and constitutional courts. There are still several member States of the Council of Europe which do not fully apply these principles and which are subject to the relevant monitoring procedures.<sup>41</sup> In a democracy it is unacceptable that individual citizens or civil society groups fear repression if they want to use their basic democratic rights.

92. The separation of powers as a means of safeguarding individual freedoms and democratic procedures can also be endangered by technocratic powers claimed by governments over parliaments. In the process of stabilising failing banks, State finances or euro system support mechanisms, parliaments have quite often been subjected to strong pressure to accept government decisions by unduly short deadlines, and without any possibility of adequate deliberation. Parliaments must safeguard their right to have the final say in decision-making and defend their power to control governments.<sup>42</sup>

93. The worst transgression where an open, transparent and rational process of policy decisions is concerned is political corruption. This has not only been true for Greece where, for a long time, corruption has been part and parcel of politics and social life. Cases of corruption have also been reported recently in several countries of central and eastern Europe, including the Czech Republic, the Slovak Republic, Croatia, Romania, Bulgaria and Ukraine. These cases involved corrupt means of influencing specific policy decisions as well as corruption for the purpose of political party financing.

94. Corruption relating to the finances of political parties or party leaders has been a major problem in a number of countries in both eastern and western Europe, for example Austria, the Czech Republic, Italy, the Slovak Republic and others. In Austria, an inquiry is being conducted by a parliamentary commission which recently provided a list of recommendations that might be helpful for other countries as well. In particular, it defined tight transparency requirements, starting from very low levels of donations to parties and party leaders. In Italy, serious misuse of State party finances by leaders, for instance those of the Lega Nord, should also lead to new rules and a tight system of accounting and control. In general, according to the experience of Germany and some other European States, the provision of a certain amount of State financial support for political parties may help those parties to protect their independence and steer clear of corruption, provided that proper controls are in place.

95. Transparency in policy-making processes is widely regarded as a precondition of citizens' participation, of the existence of an informed public and of accountability and control in representative and directly democratic politics. Some countries, such as the United States of America and Sweden, stand out as models guaranteeing by law citizens' access to the information available at administrative and government institutions. Some other European countries have similar legislation covering specific policy areas, partly stemming from relevant European Union law. All European countries should establish general access to information rules which include the option of enforcing this right through court action.

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41. For instance, the Assembly is monitoring the honouring of their obligations and commitments by Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, the Republic of Moldova, Montenegro, Russia, Serbia and Ukraine. Post-monitoring dialogue is ongoing with Bulgaria, Monaco, "the former Yugoslav Republic of Macedonia" and Turkey.

42. This issue will be covered in the future report on "Strengthening standards on democratic functioning of national parliaments: a guide to parliamentary good practice", for which I have been appointed rapporteur by the Committee on Rules of Procedure, Immunities and Institutional Affairs.

96. The media<sup>43</sup> play an indispensable role in democracies: carrying out research and providing information to the public, playing an active part in public debates and inviting wide audiences also to participate in public reflection, and providing a critical means of exercising control over governmental representatives. It is crucial for this important function to be performed by a variety of media, and for there to be no monopolies or quasi-monopolies in this area. In some European countries, however, there are State monopolies, particularly in television, which violate the principle of plurality. In Italy, during the Berlusconi government, control of private and State television was in the same hands. In Hungary, the Fidesz government in 2011 introduced very restrictive rules putting the government in control of public and private media, even newspapers, which stirred up a great controversy throughout Europe about political intrusion into the democratic media function. In the United Kingdom, the highly concentrated media power of the Murdoch News Corporation and its pursuit of illegal practices to obtain and misuse information for commercial and political purposes, as well as its close relations with people holding political power, added yet another dimension to the ways in which the media can play a disruptive role in a democracy. It seems obvious that an independent agency for supervising the democratic nature of media systems should be established in every State.

97. Despite the long-standing consensus that the principle of political equality must prevail in a democracy and that every citizen should have an equal and equally effective vote in elections, electoral systems differ substantially in how they convert votes into mandates. The principle of proportional representation offers the best way of translating the diversity of votes into party mandates. Closed party lists, however, do not give voters the option of voting for individual candidates. Other systems have the disadvantage of producing results diverging widely from proportionality. Under the United Kingdom's "first past the post" system, it is quite often the case that a majority of seats is won with only 35% to 40% of the vote (in a referendum in 2011 a move towards greater proportionality was rejected). In other countries the requirement for a minimum percentage of votes (in Germany and Russia 5%, in Liechtenstein 9%, in Turkey 10%) eliminates a substantial number of votes, which are not counted at all. In Greece, the party with the highest number of votes (even if these only total around 20% of the votes cast) receives an additional 50 seats in parliament in order to make it possible to form a governing majority. Rules like these, which grossly deform the results of the popular vote, should at least be amended and made more compatible with the principle of political equality. Mixed systems entailing proportional voting with a choice between individual candidates on open lists may offer advantages over other systems.

98. Anyone who thinks that citizens should be offered more genuine opportunities to participate in the decision-making process at all levels – which implies that democracy should be understood as going beyond the level of elections and expanded to include elements of direct democracy – should be aware that such expansion would need to be designed with care.

99. The way in which such an expansion was implemented and the interface organised between the essential representative institutions and additional elements of direct democracy would be decisive to the outcome, either better democracy and more representative politics or, on the contrary, democracy that is hampered and citizens who are even more frustrated.

100. There are at least eight elements which are decisive to the design and quality of the democratic polity, and which should therefore be considered carefully:

- First, care should be taken to determine who is allowed to initiate a popular referendum. If we really want to open up the political system, get more citizens involved and overcome the alienation that many citizens feel from today's democratic institutions, we need to give this power to a small proportion of all citizens.
- Direct democracy means a better sharing of political power. In consequence the numbers of signatures required for referenda and legislative initiatives should not exceed 2% or 3% of the electorate, in order to make these arrangements citizen-friendly and so as not to create obstacles insurmountable to all but the powerful organisations which are already well represented in institutions.
- It should be understood that citizen-initiated proposals need time. The more time is available, the more dialogue, interaction and positive effects are possible.

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43. See the substantial work done in this field by the Committee on Culture, Science, Education and Media.

- The core of direct democracy is deliberation; it was John Stuart Mill who described democracy as “government by discussion”. Discussion needs informed and educated citizens, hundreds of gatherings large and small at which it is possible, broad access for as many people as possible: sound States’ authorities should pursue all these aims and make use of all these democratic tools.
- Direct democracy should be so designed that it interacts with indirect democracy, especially through parliament, which has to discuss every initiative and should be allowed to put forward counter-proposals.
- No issues should be excluded from citizen participation. Any proposals admissible in parliament should be also open to citizen-initiated processes.
- Supermajority requirements in order for referenda results to be validated have a counter-productive effect: many examples in Italy in recent years have shown that this often allows the majority in power to avoid a debate, a fact that democrats find disheartening and entails no strengthening of democracy.
- In a direct democracy, voters need to be particularly well informed, for example through the distribution of official information leaflets, and the process during the run-up to a referendum must be fair, balanced and transparent in terms of the amounts of money invested.

101. Such carefully designed direct democratic polities produce attitudes, relationships and elements of political culture needed by modern societies, political entities and structures, and which are very helpful to them. For instance:

- They promote the integration of diverse and multicultural societies by giving as many people as possible, in a way that is both smooth and non-coercive, an opportunity to participate.
- They make possible collective learning about social issues and further the political learning process within society.
- They increase the legitimacy of both institutions and political decisions.
- They enable citizens to identify more closely with politics and the main institutions and their players, as well as reducing the distance between them.
- They make the system more open to non-conventional and non-mainstream players and proposals and increase institutions’ responsiveness to citizens.
- The public sphere becomes richer and more substantial, and its content is enriched by contributions from many more parts of society, no longer just from persons in power and office-holders.
- Public deliberations become more intense and more contributory, with many more people listening and speaking to each other.

102. In many countries, participation rates in conventional politics, such as election turnout, party membership, etc., have declined significantly over recent years. In a strong democracy, however, citizens’ participation should be enhanced and become more intense. One helpful condition would be the development of patterns of civil society encompassing many kinds of informal participation, including public deliberation, protest, self-organisation, etc. Participatory budgeting, particularly at the levels of local and regional politics, is another way of attracting the interest of many citizens and adding to their experience.

103. In a changing environment where communication technologies are concerned, the potential offered by the Internet and many new forms of “e-democracy” can play an important role in developing closer relations between citizens and groups, as well as between citizens and representative players. Many examples of productive use of digital tools and interactive potential are available, for example via Facebook and Twitter. In Germany, for example, citizens can present their petitions to the *Bundestag* using an on-line platform. In Switzerland, online voting in various kinds of ballots has been tried successfully in some cantons. In the European Union, the European Commission set up a website in April 2012 to register proposals for the new European Citizens’ Initiative (introduced by Article 11.4 of the Lisbon Treaty). New ways of organising policy discussions on line have been developed as “liquid democracy” by “pirate” political groups. If this sort of Internet communication concept can attract more young people, in particular, and get them involved in political debates and decision-making, this would be of great value to the stabilisation and future development of democracy.

104. In many European States without federal structures, national administrative structures are too strongly centralised. Decentralisation and the strengthening of local self-government through the attribution of real governing and administrative powers, as well as the necessary financial resources, will also support democracy. Local responsibility for common affairs, greater involvement of citizens in local politics, including initiatives and referenda, and a focus on the local public sphere can greatly contribute to an active democratic life for the country as a whole.<sup>44</sup>

105. In our age of globalisation, most economic and environmental issues and many other problem areas have moved beyond the scope of most nation States. The current financial crisis offers another demonstration of this, and a dramatic one, and it has also shown that even the European Union has insufficient control over events. States' co-operation and integration are therefore of the utmost importance. And democracy can only prevail if States develop the potential to co-operate in policy-making in relation to common affairs.

106. The 47 States in the Council of Europe community actually constitute two Europes: 20 States basically act as nation States and 27 States are members of the European Union, 17 of which are members of the euro system. The non-EU Council of Europe States are bound to have a strong interest in developments within the European Union and/or the eurozone and in their members, with whom they want to co-operate in order to solve problems and get their own democratic systems securely established.

107. The European Union has an even greater problem than its member States where democratic qualities are concerned. The democratic deficit of governance in the EU institutions is well known: only the European Parliament has legitimacy through the direct election of its members, whereas the most powerful institutions – the European Commission and the Council of the European Union – draw only limited legitimacy from their national electorates. As has long been obvious, the citizens of EU member States are rather remote from the functions and institutions of the Union, and even more so from the euro system. There are certainly different views among some groups of countries, particularly the States of eastern and central Europe, which to a great extent link their hopes of effective freedom and successful economic development with the European Union (I refer here to Mr Krzemiński's presentation to our committee on 14 March 2012).

108. Thus, European institutions still need substantial democratic reform. Representative institutions with direct legitimacy should carry more weight than national governments' delegates. Interaction between European legislative players and national parliaments should also be stepped up. The Lisbon Treaty proclaims that citizens' participation should play a greater role in the Union, but not many provisions for this were included. The European Citizens' Initiative, as set out in Article 11.4 of the Treaty, can be regarded as an important step enabling citizens to express their political wishes and proposals under a transnational procedure. Should the rules on using this tool prove too restrictive, practical amendments should be considered in due course. Looking beyond this new instrument, the idea of a fully fledged initiative leading to a referendum for all European citizens may also be an idea which comes up for discussion.

109. If the European Union is to cope with the huge tasks of transnational policy making, which are beyond the scope of nation States, it will need to develop better "sound State" qualities and broader democratic support among European citizens. On the one hand, this will necessitate a fuller definition of jurisdictions and obligations, combined with more substantial financial and other resources, while on the other hand, political representation and direct participation will need stronger institutions, including more effective ways of ensuring responsibility and accountability. Such a qualitative step forward in terms of functional and democratic reform may well require a new round of political debate in a move towards a proper European constitution, whereby the people are the masters of their own constitution.

## **7. Strong democracy, sound States, and the strong and sound Europe that they need**

110. A more powerful, stronger democracy needs Europe, because the nation State alone can no longer fulfil the great promises that democracy offers. A sound State cannot meet its citizens' expectations unless there is a well-established, fair and balanced system of European, at least, co-operation and effective institutions. Thus Europe is the main focus of many, if not all, expectations. At the same time, rarely has there been so much criticism in Europe of the European institutions. For too many people, Europe has turned into more a source of problems than a way to solve them.

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44. Where local and regional democracy are concerned, see the work of the Congress of Local and Regional Authorities of the Council of Europe.

111. According to French writer Jacques Julliard, “Europe is at a crossroads between being and non-being, and the longer we wait the greater the risk that we will opt by default for non-being”.<sup>45</sup>

112. British columnist Martin Kettle, expressing disappointment as someone who has always supported Europe, says that clearly “The nationalists have won – Europe’s dream is over”.<sup>46</sup>

113. German journalist Evelyn Finger writes: “The European Union and euro project might be in danger, but parliamentary government is not. At most it could be said that the political and economic spheres have drifted too far apart, which is what first made the financial crisis possible. But many people ... are now calling for more political influence in the economic decision-making process, so they know their democratic rights.”<sup>47</sup>

114. “Papandreou not only did the right thing, when he opted to ask the people for their decision on their future”, in the view of FAZ editor-in-chief Frank Schirrmacher, “he also showed Europe the way to go. Because in this situation Europe should explain to the Greeks why its action is right. If it tried to do so, Europe would have to convince itself. ... This would be a process of self-reassurance by equally heavily indebted European States which really need to determine what price they are prepared to pay for the intangible values of a united Europe”.<sup>48</sup>

115. “Not since the Second World War had democratic principles and institutions been the subject of as much fundamental misjudgment, questioning and marginalisation as they are today. This could backfire. Without democracy, the State loses support within the population and therefore its legitimacy. Without democracy in its own legal system, the European Union could break up against the democratic order of its member States. If there is open conflict between financial constraints and the people’s sovereignty, forces might emerge both inside and outside the State which respect neither democracy nor liberalism.”<sup>49</sup>

116. “Does the euro crisis offer us an opportunity to found a democratic Europe? Or should we do the opposite and be motivated by the crisis to turn back and favour national methods?” For the German philosopher Jürgen Habermas, the constitution-making moment for Europe has come. “The European Union has to be reshaped into a supranational democratic Union on the basis of a European constitution on which European citizens and European peoples all agree. The EU institutions should be redesigned in a way that gives the European Union the requisite legitimacy and the means that it needs to steer the markets.”<sup>50</sup>

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45. In the weekly *Marianne*, No. 787, 19 May 2012, p. 3.

46. *The Guardian*, 23 June 2011.

47. *Die Zeit*, 19 January 2012, p. 1.

48. *Frankfurter Allgemeine Zeitung*, 1 November 2011.

49. Professor Andreas Auer in the *NZZ*, 29 November 2011.

50. *Frankfurter Allgemeine Zeitung*, 29 November 2011.

## Appendix – Principles of democracy and their expression at three different levels

Levels Principles	Micro level Individual / Citizen	Medium level Social groups / political organisations (parties, NGOs)	Macro level System of governance, governmental institutions
1. Fundamental Human Rights	Individual rights, legal protection, freedom of speech	Freedom of association, protection of minorities	Limitation of State power, constitution based on rule of law, independent judiciary
2. Openness of the power structure	Access to political communication and political power / right to control power	Pluralism of associations / elites / independent media	Separation of power, limitation of terms of office, political competition, control of power
3. Political equality	Universal suffrage, more equal participatory rights	Equal opportunities to organisational resources and to exercise influence	Equal opportunities in the electoral systems and decision making process
4. Diversity and integration	Equality in political, economic and social rights; opportunity to develop own language, culture and traditions in full respect for human rights and democratic values; multiply opportunities for integration, and fulfil obligations in particular: learning of the host country's language	Respect for diversity, financial public support and organisational resources, involvement in the decision-making process concerning their interests	Equal opportunities for migrants and minorities in the electoral system and decision-making process. The design of polities should serve this aim
5. Transparency and rationality	Pluralism of sources of information, different opportunities for political education/competence, efficiency of individual participation	Pluralism in the media, controversial and critical public sphere, plurality of interests	Transparent decision-making procedures, competence by differentiation of responsibilities. Efficiency and procedures based on dialogue
6. Political efficiency/ capacity to act and direct society	Political interest motivation to participate, readiness to take over responsibilities, critical capacities, readiness to accept decisions	Aggregation of interests, mobilisation of political support	Majority rules, capacity to make compromises, resources to implement decisions (Rights, money etc), trust in institutions and systems
7. Culture of citizenship	Trust, sense of belonging, sense of political ownership	Recognition and support of associations, civic organisations and NGOs	Citizen participation on all levels