Prof. Andreas Bieler,[1]
Professor of Political Economy,
School of Politics and International Relations,
University of Nottingham/UK,
Andreas.Bieler@nottingham.ac.uk
Personal website: http://www.andreasbieler.net/

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**Who is in Charge? Democracy versus Technocracy – The limits of democratic representation within a globalized economy.**

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## Introduction

The sovereign debt crisis has caused severe problems for the Eurozone. Ireland, Portugal, Spain, Italy and especially Greece are under pressure with the latter having been close to declare bankruptcy on several occasions. Indeed, the survival of the Euro currency itself is doubted at times. In order to cope with this situation, we have seen a shift towards technocratic rule in Greece and Italy, but also the EU as a whole. In November 2011, Lucas Papademos, an unelected former banker, was installed as the new Prime Minister with a cabinet of technocrats backed by the leading parties. Shortly afterwards, Berlusconi's government in Italy was replaced by a new government of technocrats, led by the former EU Commissioner Mario Monti and consisting of 'business leaders and other experts', as the BBC put it (BBC News, 17 November 2011). The rationale was the same as in Greece, a situation of national emergency would require economic specialists, technocrats to solve it. At the European level, the response to the crisis is driven by the so-called troika of the Commission, the European Central Bank and the IMF, all

[1] Andreas Bieler is Professor of Political Economy in the School of Politics and International Relations and Fellow of the *Centre for the Study of Social and Global Justice* (CSSGJ) at Nottingham University/UK. Information about his teaching, research and publications can be found at http://www.andreasbieler.net

institutions made up of technocrats. Does this signify that in this current, highly complex crisis a shift towards technocratic government is the only way forward? Is democratic rule a luxury we can no longer afford in the globalized economy?

In this paper I will critically engage with the notion of technocratic rule, identify the long tradition of technocratic rule at the EU level and the related implications for member states, and uncover the underlying interests behind the allegedly impartial policies by technocrats. Finally, I will evaluate the more fundamental dynamics driving the European political economy as the background of this shift to technocratic government.

**Technocratic rule**

Technocracy refers to rule by experts. It is sometimes presented as preferable to democracy, since technocrats, in contrast to politicians, are allegedly not tempted to hand out electoral gifts in order to ensure re-election. Technocrats are deemed to be people with particular skills and knowledge, which they apply to concrete technical problems. Unlike politicians, because they do not depend on re-election and because they do not have to cater for particular constituencies, technocrats are considered to be impartial, focused on finding the best solution to a problem. In sum, technocratic rule refers to impartial decision-making based on expertise.

This is problematic on a number of accounts. First, this definition of technocratic rule assumes that it is possible to take impartial decisions without any normative implications. It assumes that it is feasible to find solutions to a problem, which are not in the interest of a particular section of society. Nevertheless, at best technocratic decision-making is impartial within the dominant common sense of how things should be. The underlying normative assumptions of this common sense, however, and the particular interests related to it, are not acknowledged. While Keynesian economic thinking was the common sense of the 1950s and 1960s, neo-liberal economics has taken over this position since the 1970s. In both periods, the particular economic framework of thought was considered to explain objectively how the economy works and policy prescriptions were put forward on the basis of it. Considering the rather different way of how Keynesianism and neo-liberalism understand economics, both cannot be correct at the same time. There is clearly no objective economic science on the basis of which technocrats can make impartial decisions. 'Economics is not engineering. It remains as much an art as a science, and its judgments have such vast implications for who gets what that they will always be contentious politically' (Guardian Editorial, 13 November 2011). The idea of impartial technocratic rule is closely linked to a positivist understanding of social science research. Based on the separation of the subject and the object, positivist social science focuses on testing causal hypotheses in an assumed objective empirical reality in order to advance knowledge. And yet, post-positivist research has made abundantly clear that 'theory is always for someone and for some purpose' (Cox 1981: 128). No social science is value-free. The basic assumptions of any approach imply automatically a normative position.

**Technocratic rule in the European Union**

The EU has for some time been characterised by strong tendencies of technocratic rule. The European Parliament has some involvement in the appointment of the Head of the

Commission, but as such the Commission of the European Union is appointed by the EU member states. Although the Commission is not the body, which takes decision, the fact that it is the institution which initiates legislation gives it a powerful position to shape decision-making in the EU. The most significant aspect of technocratic rule in the EU can, however, be found in the area of monetary policy-making. When the European Central Bank (ECB) was established, it was given the primary policy task to guard against inflation. In order to do so, it was shielded against any interference by politicians in that its policy independence was institutionally and constitutionally ensured. Monetary policy-making, it was argued, is a highly technical affair, which needs to be decided by experts, not by political amateurs, who may be tempted to abuse their power for their personal interests and/or be unable to comprehend fully the complexities of the matter. Stephen Gill (2001) has referred to this as a move towards 'new constitutionalism', in which decision-making is increasingly removed from democratic accountability in order to ensure the continuation of a particular policy course. In other words, by referring a key policy area to experts, specific interests are shielded against interference.

Of course, in the current situation it is still national parliaments, which have to adopt bailout packages for the Greek economy. Nonetheless, the fact that it is the Troika of Commission, ECB and IMF which monitors Greek budgetary policy indicates an extension of technocratic rule. The impact of technocratic rule on Greece has manifested itself in a number of ways. First, there was enormous pressure on the then Prime Minister George Papandreou to revert his decision of holding a popular referendum on the bailout package back in November 2011 (BBC News, 3 November 2011). Second, the control of Greek finances has been moved outside Greece. Initially, the European Commission, the

European Central Bank and the IMF regularly visited Greece to 'review' the country's progress in handling its debts and to decide whether Greece is allowed to receive the next tranche of the first bailout fund. Most recently, the finance ministers of the Eurozone have requested a tighter control of Greek spending and especially the implementation of budget cuts (BBC News; 16 February 2012). Conditions for the second bailout package agreed in February 2012 included that 'a team of monitors will be based in Athens to ensure agreed reforms are put into place' (BBC News; 2 March 2012). This is combined with a direct attack on Greek democracy. All major Greek parties were requested to promise in writing to implement the cuts, regardless of who wins a general election scheduled for April 2012.

**The interests behind technocratic rule**

As indicated above, technocratic rule can at best be considered impartial within the dominant common sense. For decades now neo-liberal economics has adopted this hegemonic position (Gamble 2001). The related policies are widely known as consisting of a deregulation and liberalisation of markets including financial markets(!), privatisation of state-owned companies, an predominant focus on low inflation and a liberalisation of labour markets making employment contracts ever more flexible. Especially the policy of low inflation combined with a deregulation of financial markets indicates that these policies are in the interest of finance capital. Low inflation ensures that invested money is not devalued, while deregulated financial markets facilitate the trading in ever riskier financial instruments on a globally integrated financial market. Unsurprisingly, when looking at the beneficiaries of the Greek bailout packages, it is not the Greek people, whose essential welfare services are to be protected through additional investment. It is the banks, which are to be rescued by ensuring that Greece can continue to service its debts. Especially German and French banks are heavily exposed to Greek debt and are in danger should Greece declare bankruptcy. When looked at from within the dominant common sense of neo-liberalism technocratic rule does appear to be impartial. When analysed more closely, however, it is clear that technocratic rule, whether at the European or Greek national level, by maintaining neo-liberal economics serves first and foremost the interests of finance capital.

It is widely known that especially transnational capital has got a strong influence on policy-making in the EU (e.g. van Apeldoorn 2002, Balanyá et al 2003). Nevertheless, it would be incorrect to assume that the EU operates in the way it does purely as a result of direct pressure by capital. Common sense works in a more fundamental way. The demands by capital are also adopted by the EU, because policy-makers and technocrats in the EU share the same neo-liberal understanding of how the economy works as do the various business groups representing the interests of transnational capital. The contents of the 'Fiscal Compact' (CEO 2012), the latest austerity treaty by EU heads of state or government, follows the same policy rationale and serves the same interests as the technocratic decisions by the ECB. Why then is there a shift to technocratic rule necessary in the first place?

**Uneven and combined development in the European Union**

In order to understand the causes of the current crisis, we need to look at the underlying social relations of production and the way the various EU member states are integrated within the European political economy. The fact that Greece is highly indebted, while Germany has got its finances under control is not due to prudence in the latter and reckless spending in the former. Rather it relates to a clear unevenness underlying the European economy. At the core of this unevenness is Germany's export-led accumulation strategy. Germany has got an enormous trade surplus, of which 60 per cent are with the other Eurozone countries, and 85 per cent including all EU members. This surplus is based on high productivity rates as well as lower wage increases than elsewhere in Europe (The Economist; 31 March 2010). This trade surplus has led to super profits, which in turn looked for new investment opportunities. State bonds of peripheral EU member states including Greece seemed to provide an ideal investment opportunity for many years. Unsurprisingly, after Greek banks it is German banks together with French banks, which are exposed most to Greek debt (The Guardian; 16 June 2011). In turn, then, these loans were used to continue buying German products.

This dynamic of uneven development could not go on forever. Every re-scheduling of Greek debt ultimately ended up in a bigger crisis and the need for a larger bailout package. Rosa Luxemburg's study of British and French investment in Egypt in the 19th century is illustrative in this respect. Egypt's turn to cotton and sugar production for export in the 19th century depended on British and French loans, which were used to buy British and French machinery. 'One loan followed hard on the other, the interest on old loans was defrayed by new loans, and capital borrowed from the British and French paid for the large orders placed with British and French industrial capital' (Luxemburg 1913/2003: 414). Over time, the situation grew worse with every new re-scheduling of debts and extension of new credit. Eventually, foreign powers moved into Egypt to take charge of the country's public finances. 'October 1878 saw the representative of the European creditors landing in Alexandria. British and French capital established dual control of finances and devised new taxes; the peasant were beaten and oppressed, to that payment of interest, temporarily suspended in 1876, could be resumed in 1877' (Luxemburg 1913/2003: 416-17). The result of these dynamics is not development in the periphery, but the transformation of the social relations in the periphery to ensure the transfer of income from peasants in the periphery, subsumed under capitalism, to capital in the core countries. Similar to Luxemburg's example of Egypt, the Greek sovereign debt crisis indicates ways in which international lending is used to ensure that exports of core countries can be absorbed by countries in the periphery. While it was Egyptian peasants, who paid for the profits of British and French capital in the 19th century, it is now especially Greek public sector workers but also Greek society more widely, who have to provide the finance to satisfy the demands of foreign capital. Since the Greek state finds it increasingly difficult to enforce the necessary austerity in order to continue to service foreign loans, the Troika is moving in and takes control of the Greek budget into its own hands. The shift to technocratic rule within Greece combined with external pressure by the EU has become necessary, as the institutions of Greek representative democracy have increasingly become unable to continue the extraction of surplus value.

**Technocracy and the role of resistance**

The situation in Greece is getting ever more desperate. The results are dramatic. 'A year of wage and pension cuts, benefit losses and tax increases has taken its toll: almost a quarter of the population now live below the poverty line, unemployment is at a record

16% and, as the economy contracts for a third year, economists estimate that about 100,000 businesses have closed' (The Guardian; 19 June 2011). 'Hospitals in Greece are running out of basic medicines, nearly half of all young people are unemployed, workers in some sectors have not been paid for months, and many are forced to resort to soup kitchens or scavenge from rubbish dumps' (Coalition of Resistance; 13 February 2012).

Nevertheless, resistance on the streets of Athens has steadily increased. Greek people are not prepared to accept further cuts without a fight. When Trotsky analysed the way of how Russia had been integrated into the global economy in processes of uneven and combined development at the beginning of the 20th century, he assessed in what way it actually prepared the ground for a permanent revolution, in which there was a straight transition from a bourgeois to a socialist revolution (Trotsky 1929: 253). The element of combined development is crucial in this respect, since it brings together the most advanced social forms with backward social forms, resulting in rather unstable overall social formations. As Neil Davidson argues, 'the archaic and the modern, the settled and disruptive, overlap, fuse and merge in all aspects of the social formations concerned, from the organisation of arms production to the structure of religious observance, in entirely new and unstable ways, generating socially explosive situations …' (Davidson 2010: 13). Countries in the periphery, therefore, are potentially a more fertile ground for revolutionary uprisings than countries in the core with more coherent social formations. It should be no surprise, therefore, that class struggle is fought much more openly on the streets of Athens, i.e. the periphery of Europe, where the exploitation by capital is enforced in a much more open and politically direct way, than elsewhere in Europe, where the cuts are still less violent and less existential for people than in Greece.

Solidarity with Greek workers combined with resistance against restructuring and cuts of the public sector at home is required to counter the onslaught by capital on the social achievements in Europe. Technocratic rule cannot provide a solution in the interests of the people. What is required is a direct system of democracy, participatory democracy, in which people can determine their own future.

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