

Critical Exchange on *NextGenerationEU*

‘Once in a Lifetime’? An Immanent Critique of *NextGenerationEU*

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“*NextGenerationEU* is more than a recovery plan – it is a once in a lifetime chance to emerge stronger from the pandemic, transform our economies and societies, and design a Europe that works for everyone. We have everything we need to make this happen. We have a vision, we have a plan and we have agreed to invest €806.9 billion together”.¹

To help the continent “emerge stronger and more resilient” from the worst pandemic in 100 years, member states created the *NextGenerationEU* (NGEU) programme almost as soon as the crisis hit in the Spring of 2022. ‘Once in a lifetime’ to describe the NGEU could sound pretty bombastic in light of three facts: 1) the sums constitute only a small proportion of EU GDP; 2) many of the projects supported have been part of existing commitments; 3) the new facilities are for the moment presented as temporary and will eventually need to be paid back by some sort of tax (inflationary, corporate, or customs).

If this were the whole story then, we could be forgiven for deflating the ‘once in a lifetime’ claim. As Jonathan White cogently argues in his contribution, crisis can be horizon-expanding or horizon-shrinking. They can lead to policies that open new political vistas, pushing back the limits of the possible, or on the contrary policies that constrain our collective agency, giving defenders of the existing order a pretext on which to seek to consolidate it. NGEU might talk-the-talk, but it may not be as transformative as it sounds.

¹ This figure is in current prices. It amounts to €750 billion in 2018 prices (https://europa.eu/next-generation-eu/index_en).

Here, I cautiously push back against this argument from an immanent critique standpoint, by juxtaposing the ideals articulated by the pandemic response against their inadequate but potentially promising realization. Accordingly, we ought to consider the potential open by the NGEU not just as the material injection of funds that it is, nor even the legal-institutional implication of a first European mutualisation of debt, but rather as both a potential trigger and an expression of two (incomplete) shifts in EU policies with important implications for the EU polity.

The first shift has to do with what we can call ‘deference with purpose.’ Considering that relations between states are characterised by an ever shifting balance between mutual deference and mutual interference, crisis tend to lead to new equilibria between the two that may or may not be enshrined in new rules. In this sense, the EU is constantly revisiting Europe’s Westphalian bargain, which simultaneously enshrined sovereign recognition and therefore deference, and its conditionality and therefore interference, reminding us that states’ recognition of each other’s autonomy tends to be predicated on their *droit de regard* inside each other’s realm, as a function of mutual trust. The Euro-crisis will be remembered as a moment when EU institutions presided over a radical jump in asymmetric mutual interference allowance under the cover of debt, combining in effect the traditional creditors playbook *à la* IMF, with the much more far reaching core competences of the EU, which turned the shared polity into the kind of enforcer which hitherto had been a role reserved for externally and temporarily involved agents like the IMF.

Against this backdrop, NGEU on the other hand, can be seen as a shift of the pendulum back to deference, based as it is on a bottom up process of national commitments. In order to access the funds, the member states need to present ambitious investment programme which integrate the digital and climate transition imperatives. The Commission allocates budgetary envelopes to the member states which generate their own distribution key between projects. To be sure, EU monitoring and its concurrent emergency break is still part of the equation but linked less to financial solvency than to the contribution to shared purposes.

The second shift is more tentative and has to do with the modes and extent of accountability associated with the first shift. It may be premature to say that horizontal interference between states has been replaced

by accountability *all the way down* at the domestic level bolstered by transnational networks. Here the mutual engagement which accompanies the sharing of funds extends beyond the diplomatic realm, taking place under the implicit auspices of the public sphere and the interconnected democracy spaces of the member state. At stake is indeed the question of whether the agency regained by EU institutions in the wake of the Covid-19 pandemic can be put to work for transformative, democratically-chosen ends, as Jonathan White puts it.

Whether this double shift is actually at work remains to be seen but I believe that it has to do as much with our political imagination as with the constellation of economic interests that will direct the combined hands of the market and the state involved in delivering NGEU. Put simply, what is at stake with the NGEU is whether it will serve as a conduit for the reinvention of Europe's greatest asset in the face of the global autocratic onslaught: democratic authorship and the collective intelligence that comes with it.

This appeal to our democratic imagination rests on a simple diagnostic regarding public opinion in the EU. Scholars like Virginie Ingelgom, Catherine DeVries or Sarah Hobolt have demonstrated that 'the median European' is neither Eurosceptic nor Europhile but that Europeans tend to be integrationist in substance and sovereigntist in method. They approve of 'more Europe' to address crisis like a pandemic, but also of more decentralised, local engineering of crisis response. In this spirit, we need to manage democratic interdependence between its member states all the way down, progressively promoting norms and processes that connect national democratic conversations horizontally supported but not captured vertically by Brussels.

This is what I mean when I say that the EU can be understood as a 'demoiracy' in the making, a union of peoples who govern together but not as one, where a shared political identity resides with the empowerment of national democracy by the center and with caring about what happens in our respective national or subnational democratic space, spaces that are becoming increasingly politically vulnerable to each other. For sure European demoiracy is unstable and vulnerable, given the centrifugal and centripetal forces of bureaucratic centralization and populist renationalization that feed each other's justificatory narratives. But this makes the challenge all the more appealing.

I like to take up the challenge through a metaphor: I suggest to imagine post-WWII Europeans who, contemplating a sea of possible futures ahead of them, argued intensely over the better way to leave behind the dreary land of anarchy, nationalism and war. There was a sense that they should all board the same ship together, but to chart what route? If we further imagine the waters to be a very wide Rubicon, many felt that it was time to cross it to reach the promised land on the other side, a land of unity where Europeans would become one and forge a new entity together from the ashes of their defunct nations, thus transcending together the old European order of states. Some boarded the ship believing this would happen.

But the ship of European states, instead of crossing to the other side, ended up tracing a different route. They would not sail to reassuring land of unity – reinventing themselves as a Euro-wide nation, same old on a bigger scale. They would not exchange a failed order of nation-states for a continental European state. They would neither maintain nor transcend Europe's state system but instead transform it by taming the exclusionary nature of sovereignty. Away from both shores, they would remain on the choppy waters of the Rubicon for the foreseeable future. On the waters in between the journey would have to continue in search of a compass but without a telos to justify it all.

Such a democratic vision of what the EU is about, I believe, is much more ambitious than the dream of those who advocate making it ever more state-like, ever more centralised and harmonized (or 'federal' in the traditional way). Refusing to cross the Rubicon it is the most ambitious reading of what European integration is about: deep horizontal mutual recognition through democratic agency to allow for togetherness among utterly diverse peoples. The paradox of this EU third way is thus: the most densely institutionalised cooperation among states in the world, yet between the most deeply entrenched nation-states in the world. Hence the Rubicon.

We have long bemoaned the fact that something is clearly missing in European politics these days, asking how the union can better catch winds in her sail. The conference on the future of Europe taking place this year is exploring ways to experiment with transnational democratic innovation. Indeed, these efforts are not happening in a vacuum. In the decades to come, 'democracy in Europe' is bound to be part of a bigger story about

democratic geopolitics or, to use grand words, system resilience in the competition between autocracies and (imperfect) democracies and their respective capacity to generate investment in the long term. Bolstered by the pandemic response, autocrats are shaping a new kind of technology-centric cyber-citizenship governance that will make their own people pawns in the grand chess game. To face this ominous prospect we need nothing less than all-out democratic mobilization— accelerating the spin of a circular democracy which (just like calls for a circular economy and circular migration) advocates exploiting the connectedness between spaces and levels of democratic practices in all their guise.

This is a global story. In fact, when it comes to reinventing democracy, Europe would be well inspired to reverse its gaze. Europe's founding fathers may be forgiven to have brought into being a highly 'constrained' democracy given the ambers on which it was built. But today, EU decision makers and shapers, and the citizens who call for taking part can't be comfortable with a construct in the name of democracy built by democracy-sceptics.

If NGEU were to set off a process of genuine public accountability there would be hope for the EU to stand out in the landscape of democratic experiments not by claiming to be 'more advanced' than the rest of the world, but by investing in scaling up the kind of participatory and digital democracy that has burgeoned around the world from the national or subnational level to the transnational, and from the vertical to the horizontal. In this spirit, we must pay close attention to how effective democratic control of NGEU will in the next months and years connect taxation, representation and participation, following the triple rationale of democratic imperative which I will sketch here in closing.

1) *No spending without taxation*. The NGEU cannot escape the old imperative: new debts are bound to imply new responsibilities. There will be mighty political fights in the future which will unfold in the public arena: whether the spending will be covered by old or new taxes. How to balance EU fiscal autonomy with national fiscal primacy and the distributional implications for richer and poorer member states. To what extent EU-wide taxes ought to mirror EU-wide benefits – from taxes on GAFAs for the benefit of EU-wide digital infrastructures to a carbon border tax for the benefit of an EU-wide ETS. After all, the new taxes will bare important

implications for each European citizens, even if on corporations and/or at the border, given fiscal crowding out, induced inflation etc. The core democratic tensions between considerations of distributional fairness and electoral savviness are bound to be at play. In all of these ways and more, the hike in taxation opened up by NGEU will need have crucial democratic implications.

2) *No taxation without representation*. Whereby extensive monitoring and reporting mechanisms have been put in place to support the *Recovery and Resilience Facility* (RFF) as the key instrument at the heart of *NextGenerationEU*. They provide benchmarks to the public on how the funds are used in different countries according to alternative criteria of output and outcome, collated in databases such as FENIX. The implementation of the RFF raises the fundamental question of who 'represents' in this game with competing claims of representativeness from different institutions and levels of governance. If, unsurprisingly, the disbursement of funds has led to a shift of power from the co-legislators to the Commission, and therefore a significant increase executive power, how do we balance the latter's claim to represent the public interest (backed by the European Court of auditor), the Council's claim individually to represent national legitimacy and collectively to represent states anchored in democratic process, and the European parliament's claim to represent 'European citizens' (as reflected by the debates and statements of the EP's standing working group on parliamentary scrutiny). In this context, democratic ownership and scrutiny may have shifted to national level but this shift has been embedded in transnational debate on shared purposes.

In short, the NGEU offers two modes of scrutiny: First, a policy mode where country programmes are assessed and audited on the basis of performance based criteria, gathered in an aptly named FENIX data base (is this about the rebirth the structural fund machinery?) where disbursement follows investment performance. Second, an ethical mode based first and foremost on national systems which control ex-post for fraud or conflict of interest, monitored by the Commission (see ARARCHNE data base).

On both counts, this gap in reimbursement opens up the potential for expanded scrutiny since assessing whether funds have been spent appropriately tends to require time. But how democratic has this scrutiny been until now or is likely to be? Have governments published the data

in accessible ways? What is the optimal democratic division of labour in the process?

These questions vary depending between two different moments in the RFF cycle:

- a) The *ex-ante* approval process of the spending plans where one would expect a primary (budgetary) role for national parliaments to mitigate the risk that executives both be judge and party. Up to now however, and while of course every country operates under a different tradition of parliamentary control, such scrutiny has generally been wanting. Some argue that national parliaments cannot be involved in the details of every sectoral allocation but need to set budgetary priorities and overall rules of conduct (in Italy for instance the parliament added an obligation to channel 40% of the funds to the South). Is this sufficient? How should this process relate to electoral cycles? What happens with a change of government in the middle of the procedure? Should the European Parliament fill the gap of time consistency?
- b) When it comes to the execution of the plans through procurement and specific projects, question of scrutiny become all the more critical. To what extent should control remain mainly retroactive as it is today? The current process emphasizes targets and the role of national control and audit system (CAS) which needed to be in place before the plans. (rooted in national legislation and the structural funds machinery). In theory the EU acts as a power of enabler, allowing for instance parliaments to hold hearing and ask the CAP agency for detail. But what kind of data is made available to them? On what grounds can they assess projects? Should the European parliament be given a greater role to assess performance on top of the Commission's more narrow or technical assessment of outcomes based on milestones and targets? And if the EP's role is to introduce greater political judgement in these assessments, should it not work closely with national parliaments?

3) *No representation without participation*. This is indeed the broader context in which the unfolding of NGEU takes place, a context where the EU increasingly recognises that participatory democracy is no longer a mere

appendix to representative institutions but deserves an eco-system in its own right. Under this premise, the spending of the funds needs to be scrutinized by any actor who wishes to and is able to do so, thus bringing to bear the wealth of collective intelligence in deploying the EU’s resources. The general public, the media and the organisations involved in formal and informal activism may stand at the end of long chains of scrutiny, but they are the ultimate stakeholders in the kind of democratic control called for by such an ambitious programme. Unfortunately, beyond being informed on their country’s or region’s performance of specific targets, monitoring does not extend to the project level whereby the public would be granted the means for granular assessment of ‘where the money goes’.

To be sure, even if degrees of transparency vary between member states, and between different levels of government, no member state seems to have embraced the idea of radical transparency to enhance the legitimacy and efficacy of the funds. To counter this state of affairs, the [recovery files project](#) initiated by the Dutch company [follow the money](#), has gathered journalists from about 20 member states to conduct their own assessment and transparency advocacy. As they point out, even the European Court of Auditors has recognised that it does not have enough resources to scrutinise properly. An early mover, the *Coalición Pro Acceso* and the Open Generation EU Platform have publicly called on the Spanish government to open the files. And the Helsinki committee in Hungary have demonstrated risks of government led corruption in its preliminary reports, nepotism, with EU moneys often used to subsidise political messaging against EU. More generally, social partners across countries have started to question on what grounds country strategies can assess what is ‘incomplete reforms’ (as in judiciary, pensions, labour markets, tax) which were traditionally negotiated with social partners and stakeholder.

The compass for such a journey has an old democratic pedigree: inclusion. In some ways, the process of deepening the reach of democracy remains the same as it has been: a series of struggle to expand the franchise, to include more citizens under its tent. This time around, it is a franchise that does not necessarily express itself through the right to vote in periodic elections, but rather through widespread inclusion in the political process in all its forms, including the process of allocating

the biggest funding drive ever available in the EU. I have suggested elsewhere the idea of subverting the ominous idea of Bentham's surveillance panopticon to herald the creation of a *democratic* panopticon, whereby decision-makers, like Bentham's prison inmates, will be effectively compelled to regulate their own behavior under the assumption that citizens might be watching at least some of the time, their power both visible and unverifiable. Publicity takes the place of surveillance, a way to guard the guardians, and social control becomes control by society, not of society. In effect, what we should be advocating in the age of the internet and widespread literacy is a kind of monitory democracy on steroids, as one element of a broader democratic ecosystem in the EU. The implementation of the NGEU can serve as the testing ground for such a democratic panopticon. Forget la revolution permanente, long live la participation permanente.

