

## THE CRISIS OF TECHNOCRACY

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### Introduction

The European Union (EU) tries to be a responsible, technocratic, scientific regulator. As national governments struggle with populist calls for protectionism and state aid it preaches a co-ordinated, economically defensible recovery policy. Yet the paradox is that it was the experts who created the crisis, with complex systems and models that are now discredited. Does the solution really lie in more advice from the same people, or is the crisis also one of ideas, showing that we cannot understand or manage the world using only quantitative sciences, and human and political judgment still need to be central? Not only the EU, but also a technocratic model of government, is now facing a test. Success will bring great political capital for both, whereas failure will require a rethinking of the way we make rules, as well as of where we make them.

### I. Escaping from Populism

The EU has long been a place where national ministers could go to escape their own parliaments and their public. In the Council of Ministers (Council) they could reach agreements in comfortable privacy, to be transposed into legislation that would never have been possible under the national spotlight. The relative weakness of the European Parliament – although this is changing – turned the Council into Europe’s highest and least accountable legislator, with the power to overrule national laws, policies, and even constitutions.

That this was politically possible has much to do with the lack of transparency and effective accountability of the Council. The Council is neither a unitary cabinet, as in national governments, where ministers may be held collectively responsible for each decision, nor a body with an internal political structure, that of government and opposition, as in most – although not the European – parliaments. This makes it difficult to identify the internal political dynamics and see whether a position was truly inevitable and how much room for manoeuvre a state in fact had. This is made more so by the tradition of consensus decision-making, so that the open adoption of confrontational positions is avoided. Was the outcome of negotiations unavoidable? Could a national minister have achieved something else? It is usually difficult to tell. Often a minister has echoed the national displeasure with yet another unpopular rule ‘imposed from Brussels’, wisely not mentioning that they failed to object in the Council, and may even have quietly agreed.

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Why would ministers play this strange game of acquiescing in Brussels to what they pretend to reject at home? The thrill of power may have something to do with it. The supremacy of EU law and the ambiguity and breadth of EU competences must make EU law-making a heady process. This group of gentlemen around a varnished table, usually so painfully subject to the irritating control of national parliaments and public opinion, can do almost anything. This is certainly evident in some of the European measures in the sphere of counter-terrorism, where the desire to exercise total control over society has tended to triumph over the rights and privacy of individuals. Fortunately the Parliament and Court are emerging as the conscience of the EU, with the latter recently taking centre stage in *Kadi*, where it found that it was not acceptable for a political body to be able to freeze private funds without any possibility for effective judicial review.<sup>1</sup> Yes, it is an elementary application of the principle of the rule of law, but apparently people needed to be told.

A second, perhaps more defensible, reason to avoid the rigours of national politics and take action in Brussels, is that sometimes this enables politicians to ‘do the right thing’, at times where the public are determined to apparently act against their own interests. In these financially challenged days there is a temptation for the public to seek salvation in public spending and overlook the fact that the accumulated bill will also be theirs; the state does not in fact offer its public a ‘free lunch’, as it were. It is similarly tempting to curl up into a national shell, to try and make the world smaller and more comprehensible, and then believe that closing the borders and doing business only with one another will help us pull through. Yet the consensus of the experts is that neither a blank cheque from the state, nor protectionism, offer the best nor the quickest way out of the crisis, and may make it worse. State aid, while it will be welcomed by industries receiving it, is really a subsidy from the national taxpayer to the foreign purchaser. As has been commented, when a foreign government subsidises its export industry, the proper reaction from consumers abroad should be ‘thank you’. It is a dangerous technique, appropriate perhaps for emergencies, but not the panacea that special interests will try to portray it as. Nor is protectionism any better. The idea that if we all buy from one another we will keep each other afloat makes a closed world tempting, but ignores the loss of all the advantages that trade brings, from specialisation to efficiencies of scale. A closed state may be united in its problems, but it is also likely to be poor.

A politician may, out of some nascent sense of responsibility for the national wellbeing, thus want to follow the advice of his economists, but may find it difficult to resist the public mood. There are votes to be lost in letting a factory close, perhaps fewer votes to be won in taking the longer-term view that closure would help recovery, and politicians are, after all, public

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<sup>1</sup> Case C-402/05P and C-415/05P *Kadi and Al Barakaat International Foundation v Council and Commission* [2008] ECR-I, judgment of 3<sup>rd</sup> September 2008.

property. If other states choose for economic populism, then resistance becomes even more difficult, and the fear that they may choose this path even ensures that there is a political bonus to being the first to declare – ‘look! I dare to stand up for the interests of my country, while others still hesitate’. This is the prisoner’s dilemma translated to the arena of political economy.

## II. The Flight to European Technocracy

Europe offers hope. Not only does it give the minister an excuse to say ‘I can’t (Neelie Kroes won’t let me)’, when the public hold out their hands, but it also provides him with a chance to offer a sweetener for this bitter pill. Instead of protectionism and state aid there is another rescue route opened – that of co-operation and co-coordinated action. The rhetoric of solidarity between states, of governments supporting one another and pooling their strengths and resources, pledging to help each others’ recovery rather than undermining it – this can sound as comforting at home as the rhetoric of pulling up the drawbridge and shutting out the world, but it is closer to what the experts preach too. Europe may be able to reconcile the patients to their medicine.

This brings risks and opportunities for the EU. Of course if a co-coordinated approach is realised and works out well then the financial crisis will be a poster-child for integration, and given that the beneficiaries will span the spectrum from ‘über-capitalists’ to blue-collar workers and from pensioners to any child in a state school, those still wanting to declaim the virtues of national independence will be voices in the wilderness. It will be game, set and match to the Europhiles.

However, if states are unable to agree, reject the demands of EU law in favour of protectionism, and negotiations dissolve into a chaotic ‘each state for itself’ then the EU will have categorically failed to pass the clearest and most urgent test that it has been offered in its lifetime. One may expect bitterness and cynicism about the prospects for integration, and a general turn away from Brussels and back to capital city navel-gazing. It was a nice idea, but...

This may not be so likely. There is a growing acceptance of the need to work together, and the political costs of failure to adequately respond to circumstances are so high that no national politician wants to ‘go it alone’ when he/she could share the responsibility with others. Co-operation is not just satisfying the experts, it is also political risk-sharing.

The bigger and more interesting risk is therefore that European states do co-ordinate, do devise and implement an economically responsible Europe-wide recovery plan, but it does not work.

This crisis is, after all, one of technocracy. The financial system has been able to provide enormous amounts of money to almost anyone who asked for it, in ways that were incomprehensible to most people. If anyone worried that this might all fall down, the same whizz-kids that devised the system promised that they had the best risk-management systems ever and it was all stable and reliable. They said, ‘finance is a science. We have PhDs. Trust us.’, and we did.

Now it hardly seems exaggerated to say that there is a consensus that they did not really know what they were doing, and that the vaunted models and theories were – well, there hardly seems a better way of putting it than ‘wrong’. Yet it is experts from the same schools and backgrounds, and even sometimes the same experts, who are offering us the technocratic way out of the mess, inviting us not to follow the spend-support-and-protect instincts of the non-economist but the more complex and sometimes more painful remedies proposed by those who ‘know’. So now the high priests of finance *are* reliable?

The experts may protest that the textbook theories on which recovery plans are being based are far more conventional and tested than the algorithms behind risk-management. Yet both are examples of attempts to frame the world in quantitative and non-psychological terms, explaining and predicting behaviour using mathematical models, and marginalising the complexities of societies and individuals. Many economists assume people will behave in certain ways – even though there is no particular reason to think that they will and much evidence that they will not. Risk management seems to have assumed that bad things would not all happen at once – on the basis of models which explain the past, rather than as a result of looking at the state of the world to see clues about the future.

Recent years have nevertheless seen a move towards technocracy in many areas of policy, particularly where economics is concerned. The EU is the leading example of this in action. Political judgment is not dead, but there is a conscious attempt to formulate as many policies and measures as possible in quantifiable, scientific, objective terms. From banking to food regulation, the technocrats are taking over from the politicians. This offers a chance to escape from a destructive pattern of oppositional and often infantile politics, and to avoid swings in behaviour which result from political change. Central banking and interest rates are the prime example of where there is near-universal agreement that taking decisions away from politicians has improved policy.

Now the technocrats are being offered the chance to solve the problem that their failures created. They may do so, and show that specific errors are not the same as a failure of regulatory philosophy; one epidemic does not discredit medicine. Scientific governance may yet redeem itself.

But if it does not? Neither economics nor government are proper sciences yet, and their theories have little predictive power when applied to most real-world situations. Perhaps we have over-reached ourselves in trusting our economies to models rather than judgment? Scientific approaches seem to offer security and stability, but only if they are complex and robust enough to really fit the scenarios to which they are applied. That must now be open to question. On the other hand, political governance seems amateurish and arbitrary to the technocrat, but it is capable of taking account of more subtle and variable social and human factors than the quantitative sciences are. It may seem risky to entrust a complex socio-economic machine to politicians and the public, but their very randomness and variability may prevent the huge build-up of pressure which can result from errors in a rigid model, as the crash now demonstrates. Sometimes trying to calculate away life's risks is the riskiest path of all, particularly if it means we cease to understand what we are doing, and the framework within which we live and work.

### **Conclusion**

There are now calls for economically responsible European reactions to the crisis, but also for political leadership from the EU. It is functioning as the centralised technocratic regulator that we already know, but is also being offered an opportunity to emerge as a European political power for the first time, imposing not just its adopted economic theories, but its political and social judgment. The crisis presents a chance for it to craft and display a vision of economies and society beyond merely applying what its newest consultants pass on from the universities. The more it becomes apparent that solutions have to go beyond the technocratic and monetary, and become creative, inspiring, and realistic, the greater this challenge and opportunity is. The situation is sufficiently without precedent that it is hard to estimate chances of success. There is a need for a European vision, but also a resistance to one. It is however beyond doubt that if the EU can only offer disappointingly ineffective technical solutions, the price it pays in credibility and influence will be high.

