

Vesa Kanninen

# Why Moving towards a Strong Decentralized Federal State Would Be Beneficial for the European Union

The final leader of Soviet Union, in office from 1985 to the country's dissolution in 1991, was Mikhail Gorbachev. From 1985 to 1994, Dr. Mauno Koivisto acted as the president of the Republic of Finland and closely observed the events in Russia. He had studied the Russian language and was deeply familiar with Russian history. In his book *The Russian Idea* from 2001, he summed up the long history of Russia as the need to acquire more land but also to unite the Slavs. At one time the motive for this was defensive: throughout history, Russia has been attacked by its enemies using the European plateau. More recently, the motive has been imperialistic. In the east and north, the sea became the border. China had been humiliated and large territories taken from it. The Bolsheviks recaptured the nations which broke away from Moscow's power. The Soviet Union under Stalin subjugated a large part of the peoples of Eastern Europe.

After a short experiment in democracy, it was Vladimir Putin's turn. All democratic institutions had already developed in Russia: the Duma, parties, non-governmental organizations, the judiciary, the central bank. However, the country ended up leaning towards autocracy. According to Mikhail Šiškin's 2019 book *Frieden oder Krieg: Russland und der Westen – Eine Annäherung*, the only means for the country's leadership to maintain control is war. Russia, *Russkiy mir*, is wider than its borders.

Putin's criticism of the unipolar world at the Munich Security Conference in 2007 startled Western leaders. During Putin's time, there has been enough money for military expenditures. The Russian threat is real. A military confrontation between the West and Russia cannot be ruled out. Hybrid influence takes on new forms. Europe has now been warned. The Madman theory suggests that the enemy can be influenced by threats. In the case of Russia, this even means threats to resort to tactical nuclear weapons.

Militarily, Russia cannot compete with the West. The defense expenditures of the four largest European NATO countries alone in 2022 were USD 208 billion, while Russia's defense budget was USD 88 billion (adjusted for purchasing power, USD 192 billion) – see IISS (2022). The population of the European Union is 450 million, Russia's is 143 million. The European Union's gross national product of USD 17.11 trillion dwarfs Russia's USD 1.78 trillion (USD 3.89 trillion adjusted for purchasing power). Still, no power

can actually threaten Russia militarily, since it has nearly 6,000 nuclear warheads, of which 1,500 are operational. Only in tactical nuclear weapons does Russia have superiority, with an estimated total of between 1,000 and 2,000 against the US's 230 tactical nuclear weapons, 100 of which are deployed in Europe (CRS 2022).

But while there is no need for a sphere of influence, the trauma of lost superpower status lives on in Russia. Russia, therefore, has a plan for Europe.

At the 2014 meeting in Wales, NATO returned to the primacy of national security. Nevertheless, it remains highly uneven. More than half of the NATO countries have been free riders in their defense budgets since the end of the Cold War, and the situation is improving only slowly (Dorn et al. 2023). The abolition of conscription has rendered the armed forces of some member countries unreliable. In places like Germany, for instance, up to a third of the aircraft fleet has been inoperable. The European Union is economically underperforming and militarily dependent on the USA. Only slightly more than 5 percent of the US arms budget directly serves Europe. In addition, the West has production problems, especially as regards ammunition, on a sufficiently large scale.

## KEY MESSAGES

- **Russia's attack on Ukraine has revealed the need to reassess Europe's security**
- **Currently, the European Union is a politically fragmented and divided union of member states, economically underperforming, with a defense capability that is insufficient without the support of the USA**
- **The European Union should develop towards a stronger decentralized federation, but by restoring the principle of subsidiarity**
- **When it comes to sharing political power, the Swiss model is more suitable for the European Union than the US model**



Vesa Kanninen

is Professor Emeritus of Economics at the University of Helsinki.

### EUROPE SHOULD RESPOND BY PROGRESSING INTO A STRONG FEDERAL STATE

The lack of unity within the European Union can be explained by American economist Mancur Olson's theory of collectives (Olson 1971). Selfish national interests always win over the interests of the collective when member states make their own benefit-cost assessments.

Russian leader Vladimir Putin is waiting for the 2024 US presidential election, hoping that Donald Trump wins. Should the United States not honor its commitment to defend Europe during a crisis in the future, NATO would fall apart. There are particular concerns about the security of the Baltic states. Only a sufficiently strong Western Europe can resist the idea of Putin's Russia.

It is therefore worth considering the development of the EU towards a defense-capable, strong-consensus federation instead of a fragmented union of nation states plagued by persistent disagreements.

### THE POLITICAL ARCHITECTURE OF THE EUROPEAN UNION IS FLAWED

The European Union is a union of independent states. The original purpose was to implement the division of power between the institutions of the Union and the national states in the spirit of the so-called subsidiarity principle. Accordingly, the decision-making power of the European Union would concentrate on general political decisions concerning all member states, while the nation-states would retain the right to decide in those matters where there is no need for supranational unity.

Economic research has successfully identified those activities that would naturally belong to supranational decision-making power. It is a matter of transnational public goods, i.e., genuinely common issues. Among them, however, national security has been delegated to NATO. Others include the control of external borders, development of the internal market, competition legislation, energy and environmental issues, principles of standardization, human rights legislation, etc. The remaining areas of decision-making are left to the member states.

The cost to the UK caused by Brexit (weak economic growth, stagnant investment) suggests not only that Brexit was a mistake, but also that the European Union as a project makes a lot of sense. Still, the European Union, weakened by the financial crisis and then the euro crisis, is an economic underperformer and the market's faith in it is weak. Both the EU's rate of investment and economic growth lag behind the United States'.

Moreover, when the current European Union was being built, a thorough economic analysis played practically no role in political decision-making. Such an analysis, by Alesina and Spolaore (2003), posits

that the need to share the costs points to the advantages of a broad federal union: the more member states, the lower the production cost of the public good for each. However, the large heterogeneity of the member states, current or potential, in terms of history, culture, level of development, and so on, favors a less tightly knit union.

There are about 30 federal states in the world. In this context, I will discuss the two extremes, which at the same time represent the most interesting alternatives: Switzerland and the United States.

### THE SWISS MODEL

The Swiss are satisfied with their federalist model of sharing power, created in 1848. The exercise of power (legislation, law enforcement, justice) is differentiated among the national government, regional cantons, and municipalities. Each canton has its own constitution, parliament, government and courts, and a fifth of the municipalities have their own parliament, especially the cities. From the point of view of the European Union's setup, Switzerland's clear principle of subsidiarity is an essential feature: the central government is only responsible for the tasks for which the cantons cannot take responsibility or which require uniform regulation across the country. Cantons and municipalities decide on their own issues: schools, hospitals, taxation, and police.

Another significant feature is built into Switzerland's parliamentary exercise of power: the principle of consensus. In the spirit of parliamentarism, the government consists of 7 ministers, who are elected by the parliament and belong to one of the largest parties. In the spirit of the distribution of power, the outcome desired by the majority is not automatically the one that prevails, since an effort is made to take into account the opinion of those in the minority and include it in the outcome. This sounds like a suitable solution for Europe, where the strong nation states of Germany and France have fought three major wars in a hundred years but can now be expected, together with many others in Europe, to remain stable for a very long time. Consensus decision-making will therefore have its place. Indeed, it has already been part of decision-making within the European Union, although Germany and France have tended to dominate. Consensus would therefore be a continuation of the current form of government and it would maintain stability and the separation of powers. This does not preclude, however, that in the federative model certain issues ought to be decided by a majority.

### THE US MODEL

An alternative to the consensus model is the US federal model. Its political system is built on three levels. The highest is the federal level, followed by the state level, and then the local level. The federal state is

made up of 50 basically independent republics and a few special districts. Already at the time of the Civil War, the position of the North was that it was not possible to secede from the federal state. Subsequently, no state has had such an incentive. Membership in a federal state results in cost savings.

The federal political system was defined in the constitution drawn up in 1787. Executive power was given to the president, legislative power to a bicameral Congress, and judicial power to independent courts. James Madison, one of the founding fathers of the United States, proposed the idea that the larger the territory, the easier it is to implement republicanism, since with so many different interest groups in the vast country, no single one could dominate the others.

In the United States, executive power is vested in the president, who gathers around him advisors from various fields. They form the Executive Branch. Since the United States is not a parliamentary system, this part of the government does not need to enjoy the support of Congress. The president's trust is enough. When power bodies monitor each other's actions, this has often created tensions and even power struggles between different actors. A particularly common power struggle has been between Congress and the president. This is neither a favorable feature nor suitable for the European Union.

The United States Constitution is the oldest constitution written as a single law that is still in force. In the European Union, treaties play a role akin to that of a constitution, and renewing or altering them can be challenging. For its part, the UK does not have a written constitution, showing that it is possible to operate without one.

Notions of states' rights and federal control have been an important political issue in the United States from the beginning. When the Constitution was drafted in 1787, many states that became independent as a result of the revolution and the War of Independence feared the supremacy of the federal government at the expense of their own right to self-determination. In a federative European Union, the same suspicion would undoubtedly arise. Many states in the United States did not want to join the federation without guarantees of protection for them and their citizens against the federal government. It is mainly because of this that the first ten amendments to the constitution were made. The political system of most states has its own republican and democratic constitution and judiciary. Most of the states have a congress as a parliament and the executive power is entrusted to the governor and the government that is assembled by the governor.

Subsidiarity is implemented in US federalism by dividing power between the federal government and the states, with the former having been given only certain limited powers such as defense policy, foreign policy, trade and limited tax collection. The states are, at least in principle, sovereign independent states,

having all powers except those voluntarily surrendered to the federal government.

### **POLICY CONCLUSION: WHAT KIND OF EUROPEAN UNION DO WE WANT?**

Few politicians dare to think aloud about federal models for the European Union. Even as a concept, the federal state is problematic. The perception of an unwieldy organization arises when the goal is a light consensus federation, where the Commission's power is limited and the member states have more power to run their own affairs. In the European Parliament elections, each state still has its own electoral district. Some member states are divided into several constituencies. There is no need for EU-wide elections at the parliamentary level, nor EU-wide parties.

The European Parliament is a legislative body. A parliamentary relationship ought to be built between Parliament and the Commission, which would limit the Commission's power. The Commission ought to enjoy the confidence of the Parliament, as in Switzerland. This would avoid the US problem: the persistent struggle for power between the president and Congress. The problem of establishing consensus in the current EU has been deadlocked decision-making, pointing to the need for a qualified majority system for decisions. While unanimous decisions are needed in the spirit of consensus, they should be limited to general broad lines. The possibility of national extortion, lately much in evidence, must be eliminated, and for this the Swiss consensus model offers a viable alternative. Decisions could be made by simple majority or, in special cases, with 2/3 or 5/6 majorities.

As an executive body, the Commission must focus on common matters that are public goods: foreign policy, security, competition policy and the like. Given that the EU's 27 member states will eventually grow if and when the six new applicants are admitted, the principle should be established that member states do not always have to have their own commissioner. Large member states could have a commissioner throughout, medium-sized ones every second term, and small ones every third term.

In parliamentarism, there is no need for the European Council to be given a share of power. Abolishing the European Council would certainly increase the power of the Commission, but it would have the advantage of directing its responsibility to the right issues.

The EU could have a president, who should have only a ceremonial role.

The EU of the future, in this form, would not take the form of a heavily centralized community.

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