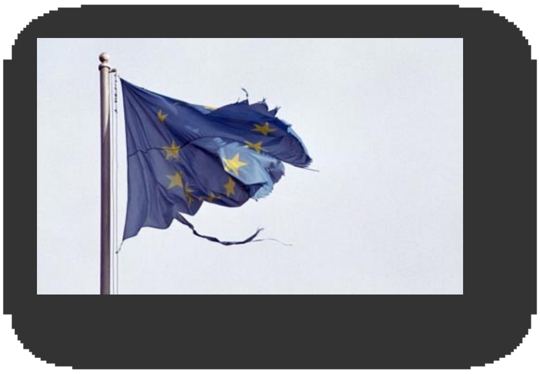
The dictatorship of EU Political Commissioners: State communism, here we come



Once upon a time, social scientists discussed the democratic deficit of the European Union. The democratic deficit was located within the institutional arrangements of the EU. Not only was it considered persistent, it was also considered a problem: because at that time, most social scientists thought that institutions with legislative and executive power should be established as a result of free elections, and it should be voters rather than political whim deciding who would be in power. However, this was some time ago. While the problem of executive and legislative bodies not being democratically legitimised remained unsolved, social scientists turned their interest to seeking the best form of supranational government, rather than lamenting the lack of democratic legitimacy. So, by virtue of what can be only called the normative power of the factual, democratic deficit discussions gave way to discussions about the best way to supranationally govern Europeans. As a consequence, the looming democratic deficit stopped haunting European legislator and executioners. They now act as if they had what is still lacking: democratic backing and legitimacy.

In 1977 Joseph W. McGuire felt compelled to warn of governmental policies which limit freedom of enterprise. He did so by describing the policy of egalitarianism that suffocates freedom of enterprise with ever more regulation and sacrifices this elementary freedom on the high altar of equality:

“Freedom of enterprise is threatened by the primacy of egalitarian sentiments principally because the capitalistic marketplace is designed deliberately to create inequalities – to make some companies and some individuals winners and other losers. One of the most important freedoms that businessmen have is that which enables their companies to succeed (or fail) as a result of their own activities within a competitive framework. … The egalitarian legislation of recent years, however, has gone far beyond the simple reinforcement of competition. It has focused upon pricing policies, the size of companies, the amount of profit that may be earned, personnel practices, working conditions, consumer relationships and the like. Many of these regulations … have tended to reduce income and power differentials between companies. But a free enterprise economy thrives on such differences. It is antithetical to egalitarianism, and the only way egalitarianism can fully emerge is at the expense of free enterprise. Business can become more egalitarian only if it continues to surrender its freedom. The continued loss of freedom of enterprise, therefore, is one of the costs that will have to be borne by business (and by society) in order to attain greater equality." (McGuire, 1977, S.28-29).

In 1983 Paul DiMaggio and Walter J. Powell continued in the footsteps of Max Weber and his research of bureaucratic structures: the so-called 'iron cage'. Weber saw bureaucracy as a necessary evil. While aware of its dangers, he could not think of another institution capable of rationalising and easing interactions between economic actors and allowing for optimal resource allocation. Observe that for Weber efficiency of resource allocation was what provided legitimacy for establishing bureaucratic structures. DiMaggio and Powell, based on modern developments, refuted this assumption: efficiency of resource allocation was not the reason for establishing bureaucratic structures any more. Therefore efficiency is not what legitimises bureaucracy. Bureaucracy has become an end in its own right, it no longer needs to be legitimised, but provides legitimacy; legitimacy for cultural (e.g. moral) beliefs. This alteration can best be observed in the flurry of organisations which have popped up nationally and internationally. Non-governmental organisations such as Greenpeace, WWF, Human Rights Watch, UNICEF, organisations which fight for Gender Diversity in the Boardroom, environmental protection, a civic society, cultural heritage, work protection, and many more issues derived from cultural beliefs and put into a bureaucratic structure to gain legitimacy. It is only when cultural beliefs become entrenched in a bureaucratic structure that they gain legitimacy.

As foreseen by McGuire, policies of egalitarianism – especially those directed towards free enterprise – proved efficient to legitimise the building of ever more bureaucratic structures, be they governmental or non-governmental. Watching firms closely, seeking social responsibility has become a cornerstone of legitimacy for a large number of governmental and non-governmental bodies and organisations. The habit to claim economic growth as a success of the political steering of markets, while depositing the blame for economic crisis and failure elsewhere (e.g. at the doorsteps of banks), and the ease of using this blame game to justify calls for ever more regulation, gave the claims for Corporate Social Responsibility ever more credence, and incorporated it into societies' normality structure. Today, to question the claim that firms must behave according to CSR principles has reached the status of heresy, which is another indication of how deep the claim is buried in the cultural layers of society. It takes a lot of courage to ride against the tide of Corporate Social Responsibility and the multitude of CSR 'free riders'. Philip Booth, head of the Institute of Economic Affairs, is one of the dissidents who do so.

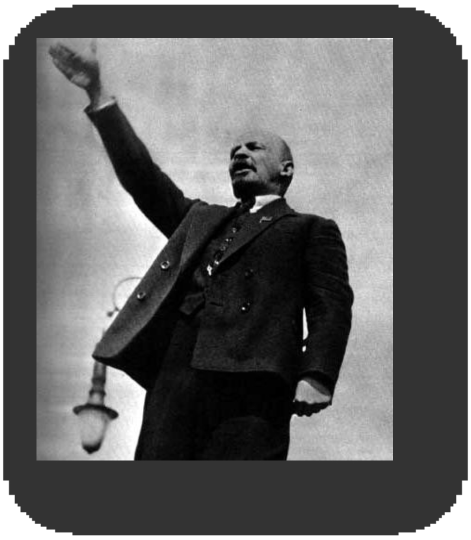
"The *raison d'être* of a business is to put something into society by being a business. The provision of cheap and plentiful food in good condition; the development and supply of computers with ever greater functionality; the provision of a cup of cappuccino that does not involve the buyer having to go through the expensive and laborious process of buying the machinery and making the coffee himself are all activities that put something into society. Why is it that business are caricatured as 'taking out of society' when they behave as businesses but 'putting something into society' when they spend money on community projects and the like?" Booth (2009), S.2.

The European Commission, free from bother about voters' will or democratic representation, discovered Corporate Social Responsibility (CSR) as a means to press its cause and make Europe an egalitarian desert (a process emphatically called harmonisation in Euro-Speak). As feared by McGuire and described by DiMaggio and Powell, the European Commission relies increasingly on coercive isomorphism to “harmonise” the European economic landscape; to strive for an European communist paradise. On its way to European Communism the European Commission gave itself a new tool that it calls a CSR Strategy.

The most striking feature of the new CSR Strategy of 2011 emerges if the new strategy is compared to the old strategy of 2001. The shift is quite dramatic. In 2001 CSR was a descriptive concept describing the efforts undertaken by firms to include social and ecological aspects in their daily business. In 2011 it is different. Now, CSR is a normative concept that requires firms to take responsibility for all their “impacts on society”. This is quite a broad definition that provides the European Commission with a vast array of opportunities to interfere in the way firms conduct their business. How far this newly assumed right of the European Commission reaches is quite impressively put into words by the European Commission itself:

“CSR at least (!) covers human rights, labour and employment practices (such as training, gender equality, and employee health and wellbeing), environmental issues (such as biodiversity, climate change, resource efficiency, life-cycle assessment and pollution prevention), and combating bribery and corruption. Community involvement and development, the integration of disabled persons, and consumer interests, including privacy, are also part of the CSR agenda. The promotion of social and environmental responsibility through the supply-chain, and the disclosure of non-financial information are recognised as important cross-cutting issues.”

It is obvious what the EU Political Commissioners have in mind with their CSR Strategy. The strategy is designed to enable the European Commission to interfere whenever it sees fit to do so. Suppose firm A pays lower wages than firm B. This constitutes a violation of CSR labour law fundamentals. Suppose firm A aggressively markets a new product with the aim to gain market share from firm B. Suppose further this will lead to firm B making parts of its work force redundant. A clear breach of labour law fundamentals in an egalitarian setting that requires the European Commission to interfere. After all, it is jobs that are to be saved, and who would object to saving jobs? Suppose firm A is active in the mining industry and 90% of its personnel are men. Suppose firm A refuses to ensure that at least 40% of its board directors are women. A clear violation of CSR principles, which requires the European Commission to interfere. [Although it is doubtful whether the European Commission will feel inclined to press a 40% quota for women with respect to ordinary workers employed by a mining company.] Suppose a firm will engage in harvesting tar sands, a process that will result in localised pollution. Again, a clear violation of CSR principles that cannot be tolerated by the European Commission. It appears that the European Commission has given itself an opportunity to interfere as it pleases. Isn't that what constitutes a dictatorship, that people in their daily lives depend on the whim of a dictator?



It emerges that the new CSR Strategy is a suitable means to establish another piece of egalitarianism and to put firms under pressure to succumb to the new CSR ruling. Coercive isomorphism as elaborated by DiMaggio and Powell will result in firms anticipating and complying with whatever the European Commission deems "best practice" in the field of CSR. Accordingly, entrepreneurship will change. The model of an innovation-seeking Schumpeterian entrepreneur, who takes risks and wants to reap an innovation premium in the markets, won't be the model of entrepreneur to emulate, but rather the cautious, complying, and risk-averse manager who meanders his way through banks full of predators which wait for him to lose direction while trying something new, something risky, something which can be used to squeeze compensation and other kinds of payments from him. In more economic terms, the European Commission is distributing negative incentives which will make entrepreneurs avoid European markets and shy away from any kind of risk. The European Commission will subsequently succeed in its attempts to "harmonise" markets and firms and end up with the inertia and inability to react to changing environments which has always marked communist systems. It will end up with the Communist States of Europe.