

**Enhancing parliamentary oversight in the EMU:  
Stocktaking and ways forward**



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## FOREWORD

The European Commission's recent roadmap for completing the European Monetary Union (EMU)<sup>1</sup> suggests parliaments will become more involved in EU economic governance by being equipped with sufficient oversight powers. These include proposals to formalise the economic dialogue, create a European Minister of Economy and Finance who is accountable to the European Parliament (EP), integrate the Fiscal Compact into EU law, and establish a European Monetary Fund anchored in EU law.

These initiatives seem to be a godsend for both national parliaments and the EP, who have played a marginal role in the EU's response to the sovereign debt crisis due to the executive-dominated approach to crisis resolution. While the crisis has seen the emergence of various legal and political instruments of parliamentary involvement in economic governance, there have long been calls to strengthen the EMU's thin democracy.

In this report, we take stock of the effectiveness of existing national and European parliamentary oversight mechanisms introduced during the crisis and discuss how these can be strengthened and how new ones can be introduced. We also discuss how the Commission's suggestions could potentially increase political accountability and/or if new structures should also be considered. The first three contributions focus on the role of national parliaments in the EMU, the next four on the EP, and the last on the reform proposal to create a European Minister of Economy and Finance. Each contribution is preceded by a short abstract.

The report shows that national parliaments' involvement in the EMU is rather informal in nature. It is the prerogative of member states, not the EU, to decide how national parliaments are involved in EU economic governance, risking a fragmented political accountability across member states. Both the EP and national parliaments play a largely discursive role – they can debate and engage in dialogue with executive actors, but they do not necessarily hold the right to veto.

In most member states the scrutiny of governments in the European Semester has increased since 2012, when the Semester was first launched. Budget committees have also increased their involvement vis-à-vis European Affairs Committees. National budgets are increasingly discussed in the framework of the European Semester, contributing to an increased Europeanisation of national parliaments. The EP and national parliaments have also been able to exercise joint scrutiny of EU executive bodies through sharing information and best practice in the Interparliamentary Conference on Stability, Economic Coordination and Governance (SECG). This

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<sup>1</sup> European Commission (2017) 'Communication 'Further Steps towards Completing Europe's Economic and Monetary Union: A Roadmap', COM(2017) 821, 6.12.2017, Available at: [https://ec.europa.eu/commission/publications/completing-europes-economic-and-monetary-union-factsheets\\_en](https://ec.europa.eu/commission/publications/completing-europes-economic-and-monetary-union-factsheets_en), Accessed 22 April 2018.

constitutes the main venue for interparliamentary cooperation in EU Economic Governance, although parliaments by no means speak with a single voice.

In recent years, the EP has been successful at expanding its oversight powers in the EMU beyond its formal powers. It has done so through the creative use of five strategies: by linking different bargaining arenas, threatening to delay decisions, mobilising public opinion, allying with like-minded member states or institutions, and by 'moving first' to establish new oversight procedures. One of the oversight powers the EP recently gained in secondary legislation is the economic dialogue, which the Commission now suggests to formalise. However, this suggestion does not appear to change the current relationship between the two institutions, as the Commission already has a treaty obligation to respond to questions from MEPs.

The economic dialogue suffers from a number of weaknesses that could be addressed in a future 'revision' of the dialogue. Currently, the set-up of the European Semester makes it difficult to attribute responsibility. Furthermore, the format of the dialogue and the type of questions asked far from allow for a proper scrutiny of executive actors. This indicates that a strengthening of the economic dialogue needs to go further than just formalising the procedure. The dialogue is still a young initiative and is part of an ongoing learning process. The monetary dialogue – which has had more years to evolve – has changed over time. The style and substance of the monetary dialogue – between the EP and the President of the European Central Bank (ECB) – has improved since 2009. This report shows that the ECB President has shown an increased preparedness to discuss both the technical details and the broader ramifications of its monetary policy.

The Commission's proposal to create a European Minister of Economy and Finance might ensure a greater say for the EP on economic governance, particularly on those aspects where the EP does not currently enjoy formal co-decision rights. This is because the new position – as envisaged by the Commission – is double-hatted in nature and carries both intergovernmental and supranational elements, which may be difficult to strictly separate in practice. It is, however, questionable if the new ministerial post will have any real powers without a Eurozone budget, the ability to conduct economic policies (e.g., impose/reduce taxes) and economic reforms. Without any tangible powers, a European Minister of Economy and Finance risk being nothing more than a figurehead, potentially adding to the image of the EU as a bureaucratic entity.

It is the hope that this report will contribute to a better understanding of parliaments' current roles in the EMU and offer ideas on how to increase their involvement in the future. The report is a result of a workshop held at Think Tank Europe in March 2018 as part of the H2020 project '[Transcrisis](#)', supported by the EU's Horizon 2020 research and innovation programme under grant agreement No. 649484.

*Maja Kluger Dionigi  
Think Tank Europa, 7 June 2018*

# I. THE ROLE OF NATIONAL PARLIAMENTS IN THE EMU

## To What Extent Can National Parliaments Influence EMU Policy-Making?

*By Davor Jancic, Queen Mary University of London*

**Abstract:** *National parliaments' involvement in EMU policy-making is primarily informal. Both the economic and the monetary components of the EMU envisage national parliaments predominantly as discursive rather than veto players. They are invited to debate, scrutinise, and engage in dialogue with governments, EU institutions, and other parliaments, but they do not necessarily have the right of veto. It falls primarily upon the member states, not the EU, to ensure national parliamentary involvement in economic governance. This can lead to fragmented political accountability and differentiated adaptation to the evolving EU fiscal governance. These two consequences, as natural expressions of national identity and constitutional autonomy, may in turn hamper cross-fertilisation and mutual learning. National budgets are, however, increasingly discussed in the context of the European Semester, contributing to an increased Europeanisation of parliaments.*

### **Introduction**

Central to identifying the avenues of national parliamentary influence is the distinction between the two components of the EMU: the 'E' stands for Economic Union, which is a domestic policy field in which the EU only acts in a coordinating capacity; and the 'M' for Monetary Union, which is an exclusive EU competence for euro area member states with little leeway for domestic influence. Hence, while there is a single euro area monetary policy, led by the European Central Bank, there is no single EU economic policy but a set of diverse national economic policies, which are coordinated by the joint action of the Commission, the European Council and the Council within the European Semester process. A corollary of this is that NPs have far more room for influence in the 'E' rather than in the 'M' of the EMU.

### **Influence strategies: Economic policy coordination**

There are two pivotal ways for NPs to influence EU economic policy coordination. One is the 'ordinary' all-year process of the European Semester that applies to all member states, and the other is the 'extraordinary' process of the European Stability Mechanism

(ESM) that applies only when a euro area Member State experiencing severe financing problems applies for financial assistance, which is known as a bailout.

### *'Ordinary' process: the European Semester*

The reason why the European Semester has been contentious is because it interferes with national fiscal policy making, at the heart of which is budgeting – a core nation state prerogative that allows governments to draft, and parliaments to vote on, decisions on how to spend taxpayer money. The limitation of this prerogative stems from the requirement for member states to prepare national reform programmes (NRPs), outlining the policies they intend to adopt to stimulate growth and jobs; and stability or convergence programmes (SPs for euro area states and CPs for non-euro area states), detailing the action to be taken to stay within the budget deficit and public debt boundaries of the Stability and Growth Pact. The Commission examines these documents and proposes to the Council the adoption of country-specific recommendations, after which the member states submit budget drafts to the Commission for feedback.

At the national level, NPs have several instruments of influence at their disposal in the said processes. First, depending on the given member state, parliament may have the right to vote on the adoption of NRPs and SPs (e.g. in France). The French *Assemblée nationale* has in fact called the possibility to adopt and amend these documents an 'imperative necessity'.<sup>2</sup> Second, NPs typically debate these documents in budgetary and European affairs committees, and less frequently, in the plenary.<sup>3</sup> Therefore, while budgetary sovereignty is now exercised with far greater EU involvement, the establishment of approval, scrutiny, and debating rights at the national level has to some extent counterbalanced this. These increase the number of points at which NPs may voice their concern about the budgetary policy or the EMU in general. This development is important because it allows NPs to be more engaged in EU affairs by increasing opportunities for parliamentarians to challenge their governments' budgetary and EU policies. In this sense one could observe EU economic governance reform not only as a restriction of domestic fiscal autonomy,<sup>4</sup> but also as a step towards a further Europeanisation of NPs.<sup>5</sup>

At the EU level, NPs have another channel for input in the European Semester in the form of the political dialogue called the 'Barroso Initiative'. This is maintained by the

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<sup>2</sup> French National Assembly (2017) 'Résolution européenne no. 884 sur le renforcement de l'Union économique et monétaire', 15 January 2017, point 32, Available at: <http://www.assemblee-nationale.fr/14/ta/ta0884.asp>, Accessed 22 April 2018.

<sup>3</sup> Hallerberg, M., Marzinotto, B., and Wolff, G.B (2018) 'Explaining the evolving role of national parliaments under the European Semester', *Journal of European Public Policy* 25(2): 250-267.

<sup>4</sup> Crum, B. (2018) 'Parliamentary Accountability in Multilevel Governance: What Role for Parliaments in Post-Crisis EU Economic Governance?', *Journal of European Public Policy* 25(2): 268-286.

<sup>5</sup> Jancic, D. (2016) 'National Parliaments and EU Fiscal Integration', *European Law Journal* 22(2): 225-249.

designated European Semester Officers based in European Commission Representations in the member states. In addition, informal meetings are organised between the competent Commissioners and NPs.

### *'Extraordinary' process: bailouts*

A more severe limitation to the national fiscal sovereignty is the parliaments' inability to pursue independent economic policy whilst receiving bailout funding. This is because the release of such funding is made contingent on the adoption of a wide range of often precisely defined national policies in areas as politically sensitive as those regulating the labour market, public health, pensions or infrastructure. Here, the hands of the receiving state's parliament are tied because any autonomous decision-making means a sovereign debt default, while contributing state parliaments may enjoy the rights to debate and approve such funding schemes (e.g. Germany). This can result in asymmetric parliamentary empowerment and tensions between creditor and debtor member states.<sup>6</sup>

### **Influence strategies: Monetary policy and banking supervision**

While NPs' powers of control over EU monetary policy are severely restricted, ECB Presidents, especially Mario Draghi, have informally and unilaterally undertaken to appear in NPs and explain their strategies and decisions to national parliamentarians.<sup>7</sup> This was a reaction to democratic deficit claims following the ECB's recourse to unorthodox monetary policy measures, which have produced effects going beyond the Treaty blueprint for the EMU.<sup>8</sup> Draghi's May 2017 appearance before the Dutch *Tweede Kamer's* Finance Committee is an example of an unusually heated discussion, with the ECB President being challenged and having to defend his institution's crisis measures.<sup>9</sup>

A separate, but closely related, function of banking supervision carried out by the ECB limits the NPs' involvement in *ex-post* democratic oversight, which occurs in a twofold manner: (a) through receipt of an annual report, to which NPs may react by submitting reasoned observations and requesting a written reply; and (b) through an optional

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<sup>6</sup> Moschella, M. (2017) 'When Some Are More Equal than Others: National Parliaments and Intergovernmental Bailout Negotiations in the Eurozone', *Government and Opposition* 52(2): 239–265.

<sup>7</sup> Jancic, D. (2017) Accountability of the European Central Bank in a Deepening Economic and Monetary Union, in D. Jancic (ed.) *National Parliaments after the Lisbon Treaty and the Euro Crisis: Resilience or Resignation?* Oxford: Oxford University Press, pp. 141-158; Bovens, M. and Curtin, D. (2016) An Unholy Trinity of EU Presidents? Political Accountability of EU Executive Power, in D. Chalmers, M. Jachtenfuchs and C. Joerges (eds.) *The End of the Eurocrats' Dream: Adjusting to European Diversity*, Cambridge: Cambridge University Press, pp.190-217, at 210 *et seq.*

<sup>8</sup> Tuori, K. (2016) 'Has Euro Area Monetary Policy Become Redistribution by Monetary Means? "Unconventional" Monetary Policy as a Hidden Transfer Mechanism', *European Law Journal* 22(6): 838–868.

<sup>9</sup> Jones, C. and Khan, M. (2017) 'Mario Draghi Riled by Dutch MPs in Public Grilling', *Financial Times*, 10 May 2017, Available at: <https://www.ft.com/content/11ced2ba-359c-11e7-99bd-13beb0903fa3>, Accessed 22 April 2018.

exchange of information between a requesting NP and a member of the ECB Supervisory Board.

## **Reform proposals**

The two institutional changes proposed by the Commission – the establishment of a European Monetary Fund (EMF) and the creation of a European Minister of Economy and Finance – carry minor enhancements for NPs. The EMF Council Regulation proposal has two main implications. First, the use of the flexibility clause laid down in Article 352 TFEU means that unanimity applies, which enables parliaments to exert more influence over the government's voting in the Council, given that no Member State can be outvoted. Second, copying the banking supervision regime will reinforce the current ESM regime of accountability to NPs. This allows parliaments additionally to hold an exchange of views with the Managing Director of the EMF.<sup>10</sup> For its part, the creation of a European Minister of Economy and Finance envisages, without any detail, this official being accountable to the EP while also engaging in dialogue with NPs.<sup>11</sup>

## **Assessment and conclusions**

The predominant characteristic of the NPs' involvement in EMU governance is informality. Their intervention is decreasingly cast in voting procedures, while increasing emphasis is placed on deliberative politics. Both the 'E' and the 'M' components of EMU governance envisage NPs above all as discursive rather than veto players. They are asked to debate, scrutinise and engage in dialogue with governments, EU institutions and other NPs.

As there is no EU law instruction empowering NPs, national law instead allows a degree of consequential parliamentary participation that may constrain the government. This is not controversial, as tax revenue is also generated domestically. The high salience of some EU fiscal decisions – especially when made in crisis mode – may indeed incur severe political costs for governments. But the problem is that national parliamentary influence in EMU policy-making, not unlike in other areas, is

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<sup>10</sup> European Commission (2017) 'Proposal for a Council Regulation on the establishment of the European Monetary Fund', COM(2017) 827 final, 6.12.2017, article 6.

<sup>11</sup> European Commission (2017), 'Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank "A European Minister of Economy and Finance"', COM(2017) 823 final, 6.12.2012.

subject to party politics, which means that their actual utilisation and impact can become hostage to partisan politics.<sup>12</sup>

Another problem is that it is up to the member states, rather than EU institutions, to ensure that NPs are fully involved in most EMU affairs.<sup>13</sup> This can lead to the fragmentation of political accountability and an imbalanced adaptation to the newly evolving EU fiscal environment. This imbalance is a natural consequence of national identity and constitutional autonomy, which fosters differentiated parliamentary responses to EU fiscal integration. However, this may prevent cross-fertilisation and mutual learning. Interparliamentary cooperation, however useful for agenda-setting purposes, has not proven an adequate substitute for robust economic policy-making.

For its part, the ECB governs virtually unrestrained. It is far removed from parliamentary fetters, even when it engages in redistributive politics, thereby precipitating a new democratic deficit.<sup>14</sup> Still, none of this may be worrying in terms of legitimacy: taxation and government debt are the least important issues for European citizens at both national and EU levels.<sup>15</sup> Faced with such voters' perceptions, one should not expect a parliamentary revolution in the EMU any time soon.

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<sup>12</sup> Maatsch, A. (2017) European Semester Compliance and National Political Party Ownership, in D. Jancic (ed.) *National Parliaments after the Lisbon Treaty and the Euro Crisis: Resilience or Resignation?*, Oxford: Oxford University Press, pp.193-223.

<sup>13</sup> European Commission (2018), 'Annual Growth Survey 2018', COM(2017) 690.

<sup>14</sup> Curtin, D. (2017) "'Accountable Independence'" of the European Central Bank: Seeing the Logics of Transparency', *European Law Journal* 23(1-2): 28-44.

<sup>15</sup> European Commission (2017) 'Standard Eurobarometer No. 88', Available here: <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2143>, Accessed 22 April 2018.

# How and why do national parliaments differ in their involvement in the European Semester?

*By Benedicita Marzinotto, University of Udine; College of Europe*

**Abstract:** *The influence of national parliaments in the European Semester is mostly exercised at the domestic level when member states prepare Stability/Convergence Programmes (SCPs) and National Reform Programmes (NRPs). SCPs and NRPs are usually debated in committees and only occasionally in plenary, perhaps to avoid politicisation. In most member states, parliamentary ex-ante (when national governments prepare fiscal and reform plans) and ex-post (after the EU has provided feedback) scrutiny has increased over time (from 2012 to 2015). Budget committees have also increased their involvement in the European Semester relative to European Affairs committees. Thus, national ownership of the European Semester may just require time. Despite several commonalities between countries, differences persist. Contrary to general expectations, parliaments' strengths in the domestic budget process do not account for cross-country variation, but parliaments' institutional strengths in EU affairs do.*

## **Introduction**

The initiation of the European Semester process was accompanied by the strengthening of the European Parliament (EP) and of National Parliaments (NPs) in the area of economic policy coordination at the European Union (EU) level. While both national parliaments and the EP continue to play an advisory role, they have gained greater visibility in EU legislation put in place to deal with the sovereign debt crisis.

With the Six-Pack, for example, the European Commission and the Council are required to inform the EP of the strategic economic policy priorities that are identified every year in the Annual Growth Survey (AGS). Moreover, the EP ensures the accountability of decisions taken by the Commission and the Council, as it can request clarifications if the country-specific recommendations, approved by the Council, differ from the Commission's initial proposal. The regime change is perhaps even more visible in the case of the NPs. Since 2011, national Members of Parliament (MPs) have been able to take part in the EP's parliamentary committees and request Commissioners and Members of the European Parliament (MEPs) to report on the European Semester process in front of national parliamentary committees.

The NPs' power is mostly exercised at the domestic level when each member state prepares Stability/Convergence Programmes (SCPs) and National Reform Programmes (NRPs), which have to be submitted to the Commission by 30 April every year. There is also potential for ex-post monitoring by NPs when each member state receives policy

recommendations that often serve as input to the parliamentary phase of the national budget process starting from September every year across most EU countries.

The way in which NPs are involved in the preparation of national reform plans and their subsequent translation into law is important for the input legitimacy of the European Semester. The launch of the Semester raised legitimacy concerns as member states were required to inform the EU of reform plans well before the start of the discussion of the national budget in national parliament. At the same time, the European Semester provided national legislatures with the opportunity to intervene earlier in the domestic economic policy-making process.<sup>16</sup> NPs may justify their involvement in EU economic policy coordination through the following two instruments:

- *Hard-law instruments* that allow them to take full control of the budgetary process. These include instruments such as budget amendment powers and other formal rules through which they intervene in the discussion on public expenditures and revenues.
- *Soft-law instruments*, such as access to information and the capacity to process the pieces of information they receive from the government.<sup>17</sup>

Whether, or not, national parliaments decide to exercise parliamentary scrutiny – independently of the instruments they have at their disposal – is ultimately a political decision.

### **Factors accounting for cross-country variation**

There is extensive and continuously growing empirical literature aimed at identifying the factors that explain cross-country variation in the ‘Europeanisation’ of national parliaments. Various studies find that the strength of parliament in the domestic arena is an important driver of Europeanisation.<sup>18</sup> Others show that NPs exercise greater scrutiny when the public opinion tends to be Eurosceptic.<sup>19</sup> There is, however, weak evidence that the positioning of political parties on European affairs affects the Europeanisation of domestic legislatures.

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<sup>16</sup> Hallerberg, M., Marzotto, B, and Wolff, G.B. (2011) ‘An Assessment of the European Semester’, Brussels: European Parliament.

<sup>17</sup> Auel, K., and Raunio, T. (eds.) (2015) *Parliamentary Communication in EU Affairs: Connecting with the Electorate?* Oxon: Routledge.

<sup>18</sup> Raunio, T. (2005) ‘Holding governments accountable in European Affairs: Explaining cross-national variation’, *The Journal of Legislative Studies* 11(3/4): 319-342; Auel, K. and Hönig, O. (2014) ‘Parliaments in the Euro Crisis: Can the Losers of Integration Still Fight Back?’, *Journal of Common Market Studies* 52(6): 1184–1193.

<sup>19</sup> Bergman, T. (1997) ‘National parliaments and EU affairs committees: Notes on empirical variation and competing explanations’, *Journal of European Public Policy* 4(3): 373-387.

Survey-based data is a useful method to assess cross-country variation, particularly concerning the role played by soft law and practice. In the following, I describe the findings of a recent study on national parliamentary involvement in the European Semester, which is based on a survey submitted to NPs.<sup>20</sup> This survey aims to uncover whether plenaries or parliamentary committees discuss SCPs and/or NRPs (1) before they are submitted to the EU as well as (2) after the EU has provided specific policy guidance.

Parliamentary scrutiny is defined as the degree to which NPs discuss reform commitments in the EU context and the timing for doing so, whether *ex-ante* (when national governments prepare fiscal and reform plans), or *ex-post* (after the EU has provided feedback). The survey was designed with the purpose of collecting information on the following aspects: (1) the actors that are involved in the preparation of SCPs and of NRPs; (2) whether documents are discussed in plenary or in parliamentary committees; (3) the committees that are directly involved in the discussion of those documents. The data was collected from the same survey that was conducted four times from 2012-2015 in order to observe any changes over time.

### *Cross-country similarities*

The results from the survey show that in the majority of countries, finance or economics ministries draft SCPs, whereas the drafting of NRPs involves a larger number of actors, including the Prime Minister's Office or other ministries (e.g. in Austria, France, and Romania).

In most countries, SCPs are only occasionally discussed in plenary. The same is true of NRPs, which are only on the agenda of plenaries in Italy and Luxembourg. It is possible that this occurs to avoid politicisation. Fiscal and reform plans are more often discussed in parliamentary committees, involving typically the budget and the EU affairs committees. Generally, SCPs are discussed either by both or none of the committees. The exceptions are France, Luxembourg, Portugal and Sweden, where fiscal plans are discussed only in budget committees.

Parliamentary scrutiny has increased over time. The budget committees of Austria, Ireland and Spain started discussing fiscal plans from 2015. As expected, NRPs are mostly discussed in European Affairs committee with evidence of increased participation of budget committees in 2015 compared with 2012. NPs that scrutinised national documents before they were sent to Brussels also engaged in debating the EU's country-specific recommendations. As in the case of *ex-ante* monitoring, greater *ex-post* scrutiny was exercised in 2015 than in 2012. It is interesting to note that the budget

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<sup>20</sup> Hallerberg, M., Marzinotto B. and Wolff, G. (2018) 'Explaining the evolving role of national parliaments under the European Semester', *Journal of European Public Policy* 25(2): 250-267.

committees have increased their involvement relative to European Affairs committees. This shows that national ownership of the new economic policy coordination cycle may just require some time to develop.

### *Cross-country differences*

The significant cross-country variation found in the data may be related to the fact that NPs vary in their rights to use hard/soft law instruments, in addition to a broader set of determinants ranging from Euroscepticism among the public, the position of elites on Europe, the age of EU membership, and contingent macroeconomic conditions. In the case of the European Semester, being part of the euro area is also likely to be relevant because fiscal policy recommendations are binding for euro countries only.

Surprisingly, hard law instruments retain poor explanatory power, with the strongest parliaments of Austria, Finland and Romania not exercising greater scrutiny over the European Semester process than the others. Parliaments that have the legislative tools to take full control of the budgetary process do not necessarily benefit from soft law instruments such as access to information. It is this latter institutional strength that explains why some European Affairs committees scrutinise fiscal plans. Thus, the legislative strength of parliament in the domestic budget process, contrary to existing evidence<sup>21</sup>, does not seem to play a significant role. Yet, the institutional strength does, which may allude to the fact that scrutiny rises along with the capacity to interpret the technical details of governmental fiscal and reform plans.

Euro membership is a significant determinant of the involvement of NPs over the European Semester. NPs in non-euro area member states tend to be more active than the others. This is especially true of definite 'euro outs', meaning the countries that have discretionally chosen not to take part in the euro project. The latter are found to be mainly involved in the ex-post monitoring of EU recommendations. This emphasises the importance of domestic political parties' positioning in the EU debate rather than reflecting a Eurosceptic public opinion. The more Eurosceptic a population is, the less likely that parliamentary budget committees will review NRPs. By contrast, neither the age of membership, nor poor macroeconomic conditions predict the behaviour of national legislatures.

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<sup>21</sup> Raunio, T. (2005) 'Holding governments accountable in European Affairs: Explaining cross-national variation', *The Journal of Legislative Studies* 11(3/4): 319-342

# How can parliaments work together collectively to increase their influence in the EU's new economic governance?

By Valentin Kreilinger, Jacques Delors Institut; Hertie School of Governance

**Abstract:** *The main venue for interparliamentary cooperation in EU Economic Governance is the Interparliamentary Conference on Stability, Economic Coordination and Governance (SECG), established on the basis of Article 13 TSCG. This contribution explains that three competing models shaped discussions about the institutional design and internal functioning of the SECG Conference. National parliaments and the European Parliament (EP) disagreed on some issues but wanted to increase parliamentary influence over the new Economic Governance. As it currently works, the SECG Conference mostly follows the blueprint of the Conference of Parliamentary Committees for EU Affairs (COSAC): National parliaments and the EP discuss Economic Governance issues and they exchange information and best practices. They also exercise some joint scrutiny of the EU's executive branch. This means that the parliamentary control of EU Economic Governance is not solely the responsibility of the EP and that the conference has not become a collective parliamentary counterweight either.*

## Introduction

One of the reasons behind promoting (inter)parliamentary involvement in EU Economic Governance is the perceived lack of national ownership over national (economic) reforms. Even though, for example, in the European Semester most national governments submit the annual National Reform Programme to their parliament before transmitting it to the European Commission<sup>2</sup>, national parliamentarians often remain in the illusion of reforms being 'imposed' by Brussels.

Interweaving the levels of governance could facilitate the coordination of economic and budgetary policies. Stronger coordination and convergence could be achieved through better awareness of EU Economic Governance issues and more parliamentary activities that transcend levels. National parliaments would have to be aware of indicators such as the aggregate fiscal stance of the euro area and debate them at the EU level. They could then have the task to transpose these orientations into their respective national economic and fiscal policies.<sup>3</sup> If the diverse political views within national parliaments

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<sup>2</sup> Hallerberg, M., Marzinotto, B. and Wolff, G. B. (2018) 'Explaining the evolving role of national parliaments under the European Semester', *Journal of European Public Policy* 25(2): 250-267; Raimla, E. (2016) Involvement of the National Parliaments in SCPs and NRPs – 2014, 2015 and 2016, Brussels: European Parliament; Hagelstam, K., Lehofer, W., Ciucci M. (2018) The role of national parliaments in the European Semester for economic policy coordination, Brussels: European Parliament.

<sup>3</sup> Kreilinger, V. and Larhant, M. (2016) 'Does the Eurozone need a Parliament?', Jacques Delors Institut - Berlin, Policy Paper n°176.

are represented in interparliamentary cooperation at the EU level, this could also lead to greater politicisation of these topics. In an interparliamentary setting (some of) these problems could be tackled. But as long as fiscal and economic policy decisions are seen as numeric rules (such as the obligation of the balanced budget rule of the Fiscal Compact) and not as political choices, their acceptance in national political arenas will remain greatly reduced.<sup>24</sup>

## Experience with interparliamentary coordination

The implementation of the legal provision of Article 13 TSCG that provided for the creation of the Interparliamentary Conference on Stability, Economic Coordination and Governance (SECG) was complicated by the existence of competing institutional designs that different political actors had in mind for that conference. The French Assemblée nationale and the Danish Folketing have been particularly vocal actors in the ex-ante coordination of national parliaments' positions on their preferred institutional design of the Interparliamentary Conference of Article 13 TSCG<sup>25</sup>, which later became the SECG conference.

The European Parliament (EP) has traditionally been sceptical about enhancing the role of national parliaments, fearing that this could undermine its position.<sup>26</sup> In 2012 it described the possibility of creating a mixed parliamentary body as 'both ineffective and illegitimate'. The EP also insisted that only itself, 'as parliamentary body at the Union level for a reinforced and democratic EMU governance'<sup>27</sup>, had full democratic legitimacy to exercise control in that area. MEPs see only themselves as being able 'to stress the points of convergence and the shared interests amongst the parliamentarians and citizens of different member states.'<sup>28</sup> But national parliaments hold prerogatives in the area – such as the adoption of national budgets, economic reforms and holding national governments accountable. It is therefore difficult to see how the EP could be solely responsible for the parliamentary control of defining the aggregate fiscal stance or for decision-making in the ESM (or a European Monetary Fund) when the financial resources come from national sources in the form of initial capital and guarantees.

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<sup>24</sup> Schmidt, V. A. (2015) *Forgotten Democratic Legitimacy: 'Governing by the Rules' and 'Ruling by the Numbers'*, in Matthijs, M. & Blyth, M. (eds.) *The Future of the Euro*, New York: Oxford University Press.

<sup>25</sup> Kreilinger, V. (2015) *Inter-parliamentary cooperation and its challenges: The case of Economic and Financial Governance*, in Fabbrini, F., Ballin, E.H. & Somsen, H. (eds.) *What Form of Government for the EU and the Eurozone?* Oxford: Hart Publishing, pp. 271-288.

<sup>26</sup> Crum, B. and Fossum, J. E. (2013) *Conclusion: Towards a Democratic Multilevel Parliamentary Field?*, in Crum, B. & Fossum, J.E. (eds.) *Practices of inter-parliamentary coordination in international politics the European Union and beyond*, Colchester: ECPR Press, pp.251-268.

<sup>27</sup> European Parliament (2012) *Report with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup 'Towards a genuine Economic and Monetary Union' (2012/2151(INI))*, para. 19.

<sup>28</sup> Fasone, C. (2012) *'The struggle of the European Parliament to participate in the new Economic Governance'*, *EUI Working Papers*, p.18.

Unsurprisingly, the EP does not subscribe to arguments in favour of strong interparliamentary cooperation. Many national parliaments are, in return, suspicious of giving a greater role to the EP and/or of including it in interparliamentary cooperation beyond the absolute minimum. Some of them (such as the French Assemblée nationale and Sénat) could ultimately even imagine pursuing cooperation among national parliaments in EU Economic Governance without the EP.<sup>29</sup>

### Competing models for the implementation of Article 13 TSCG

The Treaties do not prescribe a particular institutional design for the Interparliamentary Conference. This helped to agree on the wording of Article 13 TSCG in early 2012. But the fundamental preferences of national parliaments and the EP (about how the parliamentary scrutiny of Economic Governance should be organised) did not converge afterwards. The actors involved in the negotiations on the procedural arrangements for the SECG conference (most importantly the Rules of Procedure<sup>30</sup>) never explicitly spelt out their preference for one model and ruled out other models. As they tried to attribute tasks and competences to the Interparliamentary Conference, national parliaments, the EP and other actors followed *three competing models*.

- 1) According to the *first model* for the relationship between national parliaments and the EP in EU Economic Governance, scrutiny in the area of Economic Governance should take place under the sole and unique leadership of the EP. It would occasionally invite national parliaments to join MEPs in Interparliamentary Committee Meetings of the Committee on Economic and Monetary Affairs or at the European Parliamentary Week as part of the European Semester. National parliaments are supposed to scrutinise their national government in EU Economic Governance without playing a particular role at the EU level or collectively interfering.
- 2) Under the *second model* for the relationship between national parliaments and the EP in EU Economic Governance, the Interparliamentary Conference is a *COSAC-style venue* for the exchange of information and best practices. Here, the added value of the conference is not in the power of decision-making, but in the deliberation that informs and legitimises the process.<sup>31</sup> Proponents of this model wanted to build upon the example of COSAC to create a policy-specific Interparliamentary Conference for Economic Governance. Parliamentary scrutiny would still be conducted by each national parliament at the national level and by the EP at the EU level, but the

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<sup>29</sup> Kreiling, V. (2014) 'Possibilities for Upgrading Inter-parliamentary Cooperation after the 2014 European Elections', *Polish Quarterly of International Affairs* 23(1): 57-68; Winzen, T. (2017) *Constitutional Preferences and Parliamentary Reform: Explaining National Parliaments' Adaptation to European Integration*, Oxford: Oxford University Press, pp. 121-175.

<sup>30</sup> Rules of Procedure of the Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union, Luxembourg 2015.

<sup>31</sup> Jančić, D. (2016) 'National Parliaments and EU Fiscal Integration', *European Law Journal* 22(2): 225-249.

Interparliamentary Conference would allow them to discuss budgetary issues and possibly have better information for their individual scrutiny activities.

- 3) In the *third model (collective parliamentary counterweight)*, Article 13 TSCG would provide the basis for creating a powerful interparliamentary body that could effectively scrutinise and act as a counterweight to executive decision-making in the area of Economic Governance<sup>32</sup>. After all, besides Article 13 TSCG, the TSCG and the ESM Treaty do 'little or nothing to anchor new regulatory functions for the Union in democratic institutions'.<sup>33</sup> Establishing a *collective parliamentary counterweight* might also require a more exclusive component for the euro area, in which the national parliaments of member states whose currency is the euro would coordinate their activities and exercise parliamentary control at the level of the euro area together with the EP.<sup>34</sup> Under this model, parliamentary scrutiny would be pooled and shared based on Article 13 TSCG.

The SECG conference has become a *COSAC-style venue*, although with some institutional peculiarities. The linkage to the European Parliamentary Week at the first annual meeting of the conference and the absence of a provision regarding the size of delegations in the Rules of Procedure of the SECG conference (which remain at the discretion of each parliament<sup>35</sup>) are the most important ones. As a consequence, the *second model* did not fully prevail, but has been followed to a great extent. The SECG conference certainly did not become a *collective parliamentary counterweight*. Parliaments can work together against their declining influence, discuss matters of common interest and exercise control in areas of EU Economic Governance with weak parliamentary scrutiny, but there have been difficulties in reaching a basic agreement how interparliamentary cooperation should function. The SECG conference is the prime example of this. It is nevertheless on the way to becoming the venue for joint scrutiny in EU Economic Governance. The participation records and agendas of its meetings confirm that after two years of procedural disagreements, the Rules of Procedure of 2015<sup>36</sup> provide a sufficient basis for the conference to work, even though parliaments are still 'unlikely to add up to a single coherent voice'.<sup>37</sup>

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<sup>32</sup> Curtin, D. (2014) Challenging Executive Dominance in European Democracy, *The Modern Law Review*, 77(1): 1-32, here: p. 30.

<sup>33</sup> Dawson, M. and de Witte, F. (2013) 'Constitutional Balance in the EU after the Euro-Crisis', *The Modern Law Review*, 76(5): 817-844, here: p. 834.

<sup>34</sup> Krelinger, V. and Larhant, M. (2016) 'Does the Eurozone need a Parliament?', Jacques Delors Institute - Berlin, Policy Paper n°176.

<sup>35</sup> Rules of Procedure of the Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union, Luxembourg 2015, Article 4.1.

<sup>36</sup> Rules of Procedure of the Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union, Luxembourg 2015.

<sup>37</sup> Crum, B. and Fossum, J. E. (2013) Practices of interparliamentary coordination in international politics: the European Union and beyond, in Crum, B. & Fossum, J.E. (eds.) *Practices of inter-parliamentary coordination in international politics the European Union and beyond*, Colchester: ECPR Press, pp. 1-14, here: p. 3.

## II. THE EUROPEAN PARLIAMENT'S OVERSIGHT POWERS IN ECONOMIC GOVERNANCE

### Becoming the 'Parliament of the Eurozone'? How the European Parliament Gained Its Current Oversight Powers in the EMU

By Magnus G. Schoeller, University of Vienna

**Abstract:** *In recent years, the European Parliament (EP) has gradually expanded its oversight powers in the Economic and Monetary Union (EMU). In doing so, it went beyond the limited competences provided by the Lisbon Treaty. This contribution takes stock of the EP's current oversight powers in EMU. Furthermore, it examines how the EP was able to obtain these rights. Five crucial strategies helped the European Parliament increase its powers. These are (1) linking different bargaining arenas, (2) delaying decision-making, (3) allying with like-minded member states or EU institutions, (4) mobilising public opinion, and (5) 'moving first' by establishing new oversight procedures unilaterally.*

#### Introduction

In recent years, the European Parliament (EP) has gradually expanded its oversight powers in the Economic and Monetary Union (EMU). Although still excluded from central components such as the European Stability Mechanism (ESM), the EP has made some undeniable progress on its way to becoming the 'Parliament of the Eurozone'<sup>38</sup>. Based on an ongoing research project<sup>39</sup>, this policy brief takes stock of the EP's current oversight powers in EMU and examines how the EP was able to obtain these rights.

The Treaty of Lisbon granted the EP new rights in the governance of EMU. In particular, the EP obtained co-decision rights in the so-called multilateral surveillance, which serves 'to ensure closer coordination of economic policies and sustained convergence of the economic performances of the Member States'<sup>40</sup>. Moreover, the EP is the co-decider when it comes to amendments to the statute of the European Central Bank (ECB) or provisions that regard the use of the single currency. As for the EP's immediate oversight powers, the Council must inform the EP of its policy guidelines and the results of multilateral surveillance. Furthermore, the Council must consult the

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<sup>38</sup> European Parliament (2015) 'This is the Parliament for the Eurozone', Mr Moscovici tells MEPs, Press Releases ECON, 15.09.2015, Available at <http://www.europarl.europa.eu/news/en/press-room/20150915IPR93239/this-is-the-parliament-for-the-eurozone-mr-moscovici-tells-meps>, Accessed 22 April 2018.

<sup>39</sup> For an early outcome, see Hériter, A., Moury, C., Schoeller, M., Meissner, K. and Mota, I. (2015) *The European Parliament as a Driving Force of Constitutionalisation*, Brussels: European Parliament.

<sup>40</sup> Article 121.3, Treaty on the Functioning of the European Union (TFEU).

EP on provisions regarding the application or replacement of the protocol on the Excessive Deficit Procedure.<sup>41</sup> Lastly, the ECB is accountable to the EP: it must present an annual report on its activities, and its President's, as well as other members of the executive board, and may be heard by the competent committees of the EP.

Since the entry into force of the Lisbon provisions in late 2009, the EP has made considerable progress in extending its powers. Now, the European Commission needs to inform the EP of its measures when financially troubled member states are put under enhanced surveillance or macroeconomic adjustment programmes; the President of the Euro Summit<sup>42</sup> must present a report to the EP after each meeting; the so-called 'Economic Dialogues' allow the EP to invite the Presidents of the Council, Commission, European Council, and Eurogroup as well as member state representatives to discuss the surveillance of national budgets; the ECB is obliged to submit a yearly report and a record of proceedings regarding the supervision of banks under the Single Supervisory Mechanism (SSM); in addition, the Chair of the Supervisory Board can be invited to ad hoc exchanges on banking supervision, and the EP can approve (or prevent) her appointment after a public hearing with the candidate for the position; and, finally, the EP can organise a conference with national parliaments to discuss budgetary policies.

The fact that all of these rights go beyond the limited competences provided by the Lisbon Treaty raises the question of how the EP could gain its current oversight powers. Present research suggests that the EP made use of five strategies in order to increase its powers: *Arena-linking*, *delaying*, *allying with member states or EU institutions*, *mobilising public opinion*, and *moving first*.

## **Arena-linking**

An 'arena' is an institutional setting of decision-making that determines the eligible participants and the applicable rules. If the EP has a veto right in a certain arena, it can block an issue under negotiation until the Council concedes it more oversight powers in another arena where it does not yet enjoy any competences. During EMU reform, the EP has made extensive use of this strategy. When it negotiated the so-called 'Six-Pack'<sup>43</sup>, for instance, the EP inserted the economic dialogue into a regulation where it was *not* co-decider<sup>44</sup> by linking its request to the adoption of the four legislative acts that required its approval. Another example regards the EP's oversight of the SSM. When

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<sup>41</sup> Allemand, F. and Martucci, F. (2014) The Democratic Legitimacy of European Economic Governance: Change in the Role of Parliament, in Rozenberg, O., Saraceno, F., and Strehö, I. (eds), *Reforming Europe*, OFCE Debates and Policies 134, pp. 111-126, here: p. 15.

<sup>42</sup> Euro Summits are meetings of the Eurozone's heads of state and government.

<sup>43</sup> The 'Six-Pack' consists of six legislative acts to strengthen the Stability and Growth Pact and prevent macroeconomic imbalances in the Eurozone. The EP was formal co-decider in four of these.

<sup>44</sup> Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, *Official Journal of the European Union*, art. 2a.

the SSM was set up in 2013, the EP gave its approval to a required regulation<sup>45</sup> only after it had obtained an Interinstitutional Agreement with the ECB that specified its oversight powers.

## **Delaying**

Even when the EP cannot link arenas, it can on many occasions delay pending decisions until it obtains further oversight powers. A case in point was the negotiations on the so-called 'Two-Pack'<sup>46</sup>. Despite considerable pressure from the Commission and the European Council, which urged the legislators to come to a rapid agreement, the EP delayed the negotiations and even suspended the talks with Council and Commission until the latter made new concessions. As a result, the economic dialogue was extended to a wider range of issues and the Commission had to enhance its reporting duties vis-à-vis the EP. As a pre-condition for the successful use of the delaying strategy, the EP did not vote on the legislative resolution at the first reading but started the negotiations only with a plenary vote on the amended proposal. This move allowed the EP to stay in the first-reading phase, which does not have a deadline to approve, reject or amend the legislative proposal.

## **Allying with member states or EU institutions**

Where the EP lacks the power to further its aims unilaterally, it can build alliances with other important actors in EMU. During the Fiscal Compact negotiations, for example, the EP managed to obtain the support of some member states for its requests to make the President of the Euro Summit report to the EP and to set up an inter-parliamentary conference. In particular, if decisions are made under unanimity, the support of only one member state can suffice to realise the EP's demands. However, the support of an EU institution can also be effective if this increases public salience or if the institution is recognised for its expertise on an issue. Thus, when the 'Six-Pack' was negotiated, some of the EP's amendments were backed by ECB drafting suggestions and the ECB President explicitly supported some of the EP's demands.<sup>47</sup>

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<sup>45</sup> Regulation (EU) No 1022/2013 of the European Parliament and of the Council of 22 October 2013 amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority) as regards the conferral of specific tasks on the European Central Bank pursuant to Council Regulation (EU) No 1024/2013, *Official Journal of the European Union*.

<sup>46</sup> The 'Two-Pack' consists of two regulations under co-decision, which contain provisions for budgetary coordination and reporting requirements for member states.

<sup>47</sup> O'Keeffe, M., Salines, M. and Wieczorek, M. (2016) 'The European Parliament's strategy in EU economic and financial reform', *Journal of European Public Policy* 23(2): 217-235, here: p. 228.

## Mobilising public opinion

The EP can also invoke democratic standards to publicly legitimise its requests for more oversight powers. This increases the pressure on member state governments to make further concessions, as they may fear electoral costs otherwise. During the ‘Six-Pack’ negotiations, when the EP was co-decider in EMU for the first time, it tried to employ this strategy. By sending out press releases early, it ‘positioned itself as the ‘defender of the European interest’ against a Council which was trying to defend national competences and interests’<sup>48</sup>. In the run-up to the Fiscal Compact negotiations, influential Members of Parliament – including then-President Martin Schulz – publicly demanded the EP’s participation on the ground of democratic norms. Although the Fiscal Compact is an intergovernmental treaty outside EU law, the EP was in the end fully included in the negotiations.

## Moving first

Finally, the EP may ‘move first’ and simply invent new ways of holding the executive to account. Council or Commission cannot prevent the EP from doing so, and forcing it to return to the *status quo ante* would often be costly. Next to time and staff, member states may suffer electoral costs if the public perceives the EP’s self-empowerment as legitimate. A case in point is the EP’s unilateral decision to organise hearings and make recommendations in appointment procedures where it does not formally have a role (such as for the Troika or the ESM). Although the EP’s recommendations are not binding, these hearings can be seen as an attempt to gain influence over the monitoring of programme countries.

The EP will also try to use these strategies on future occasions to gain more influence and control over EU legislation. But none of the strategies will work under all circumstances, and we could expect that moving first, for instance, would only be successful if a return to the *status quo ante* implied high costs for the Council and Commission. Likewise, the EP will succeed in mobilising public opinion only if it chooses a salient issue and if its efforts meet with a public interest to apply standards of parliamentary democracy to the EU. However, identifying the exact conditions enabling the use of one strategy or another is still a task for future research.

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<sup>48</sup> Ibid, 227.

## How effective is the economic dialogue as an accountability tool?

By Maja Kluger Dionigi, Think Tank Europa

***Abstract:** The European Parliament (EP) fought hard to include the economic dialogue in the Six-Pack and Two-Pack in 2011. However, we know little about how these formal powers are used in practice. In this contribution, I examine the practical use of the economic dialogue since 2012 and provide suggestions for improvement. The economic dialogue has a number of weaknesses that limit its effectiveness as an accountability tool. This has to do with (1) the difficulty in attributing responsibility in the European Semester, (2) the format of the dialogue, and (3) that only few MEPs ask relevant questions to the actors under scrutiny. The Commission's suggestion to formalise the dialogue between the EP and the Commission does not appear to change the current relationship between the two institutions. This is because the Commission already has a treaty obligation to respond to questions of Members of the European Parliament.*

### Introduction

The European Commission's roadmap for completing the European Monetary Union (EMU) suggests formalising the economic dialogue between the European Parliament (EP) and the Commission by the end of 2018. The economic dialogue was introduced in 2011 with the Six-Pack to increase the transparency and accountability of decisions taken in EU economic governance. It makes it possible for the EP to invite top EU officials (the Commission, the presidents of the Council system, and the Eurogroup) and member states to discuss issues related to the European Semester and the Stability and Growth Pact.

The suggestion to formalise the dialogue between the EP and the Commission does not appear to change the current relationship between the two institutions, as the Commission already has a treaty obligation to respond to questions of Members of the European Parliament (MEP) either orally or in writing (Article 230 TFEU). Even actors who take part in the economic dialogue on a voluntary basis (such as member states and the Eurogroup) have been willing to participate and appear in hearings before the EP's Committee on Economic and Monetary Affairs (ECON) to discuss EU and euro area economic policy matters.<sup>49</sup> As it stands now, the proposal to formalise the dialogue seems more like a polite gesture to the EP rather than offering the EP any new (binding) powers.

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<sup>49</sup> European Parliament (2017) Economic Dialogue and Exchanges of Views with Member States under the European Semester Cycles. State of Play - December 2017, EGOV, Directorate-General for Internal Policies, PE497.736.

If the EP is to play a more consequential role for the democratic accountability of decisions taken in EU economic governance, the very structure of the European Semester and the EP's handling of the economic dialogue call for a change. The economic dialogue currently suffers from several shortcomings that put a cap on its (potential) effectiveness as an accountability tool, most notably that:

- Political responsibility is difficult to attribute in the European Semester
- The economic dialogue is far from a 'genuine' dialogue
- Few MEPs ask pertinent questions

### **Political responsibility is difficult to attribute**

The economic dialogue can be viewed as a parliamentary oversight mechanism, where executive actors must explain and justify their conduct and potentially face sanctions.<sup>50</sup> The dialogue is, however, unlikely to involve any 'real' consequences for the actors involved beyond 'naming-and-shaming' due to the EP's ex-post oversight powers in the EMU. Furthermore, it is questionable if the economic dialogue can fill the gap of limited parliamentary accountability in economic governance as long as the very structures of the European Semester are not changed. Currently, supranational political authority is suspended between the collective of national governments in the Council system and the Commission. The European Semester is an iterative step-by-step process in which it is difficult to assess when significant decisions are taken and by whom.<sup>51</sup> At every step of the process, it is possible for the actors involved to attribute their policy choices to the conditions set at the previous step. The Commission, for instance, can only present its decisions as the implementation of the rules set by national governments. At the same time, the member states are not politically accountable as a collective at the EU level and in practice often support the Commission's position.<sup>52</sup> This makes the principle that 'democratic control and accountability should occur at the level at which the decisions are taken'<sup>53</sup> rather difficult to adhere to in practice. As long as the key political moments in the European Semester are not clearly identified with the possibility of holding specific actors to account at each step, it difficult for the EP to play a substantial role in the process.

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<sup>50</sup> Bovens, Mark (2007) 'Analysing and Assessing Accountability: A Conceptual Framework', *European Law Journal* 13:4, 447-68.

<sup>51</sup> Dawson, M. (2015) 'The legal and political accountability structure of the 'post-crisis' EU economic governance', *Journal of Common Market Studies* 53 (5), 976-93.

<sup>52</sup> Crum, B. (2018) 'Parliamentary accountability in multilevel governance: what role for parliaments in post-crisis EU economic governance?', *Journal of European Public Policy* 25 (2), 278.

<sup>53</sup> Van Rompuy, H. (2012). President of the European Council, in close collaboration with José Manuel Barroso, President of the European Commission; Jean Claude Juncker, President of the Eurogroup; Mario Draghi, President of the European Central Bank, *Towards a genuine Economic and Monetary Union*, 5 December 2012.

## **The economic dialogue is far from a ‘genuine’ dialogue**

The willingness of actors to appear before ECON has shown that the transparency aim of the economic dialogue is largely met so is the executive bodies ‘answerability’ to the EP. Actors attending the economic dialogue generally answer questions raised by MEPs. For instance, my own study of twelve hearings with member states under the economic dialogue between 2012-2016 show that 77.6 percent of questions are answered, while 15.5 percent are not answered, and 6.9 percent partially answered. What is missing is the ability to engage account-givers in meaningful discussions, which the format of the economic dialogue does not currently allow for.

For each MEP taking the floor, there is a five-minute slot to ask a question and receive an answer before the floor is given to someone new. The five-minute slots rarely allow time to pose follow-up questions. This makes the nature of the economic dialogue more of a barrage of questions and answers rather than a genuine dialogue. There is no time to contradict the answers given by the account-giver, ask for elaboration, or point out contradictions.

If accountability is about asking for explanations and justifying political choices made – rather than pure information provision – then the economic dialogue still needs to go some way before it develops into a more elaborate scrutiny mechanism. A better organisation and coordination of the issues raised by the political groups might allow for more focused hearings and a deeper exploration of issues.

### **Few MEPs ask pertinent questions**

MEPs’ questions are often patchy and unfocused. Many of the questions asked depart from the legal framework for the dialogue laid down in the Six-Pack and Two-Pack and concern broader economic issues often not related to the specific situation of the country under scrutiny. To gauge the relevance of the questions asked during economic dialogues, I analysed all questions posed by MEPs to national governments in twelve out of a total of sixteen dialogues with member states between 2012 and 2016. I created a scale with five categories indicating varying degrees of scrutiny – 1 displaying the lowest level of scrutiny and 5 the highest. This scale is used to assess how relevant an MEP’s question is to the economic and financial situation of the country under scrutiny. The benchmark for assessing the relevance of each question asked is the extent to which MEPs address the specific economic and financial challenges facing the account-giver’s country, as indicated in the most recent Country-Specific Report (published prior to the hearing) under the European Semester. Table 1 describes the content of each of the five scrutiny categories and provides specific examples from the hearings.

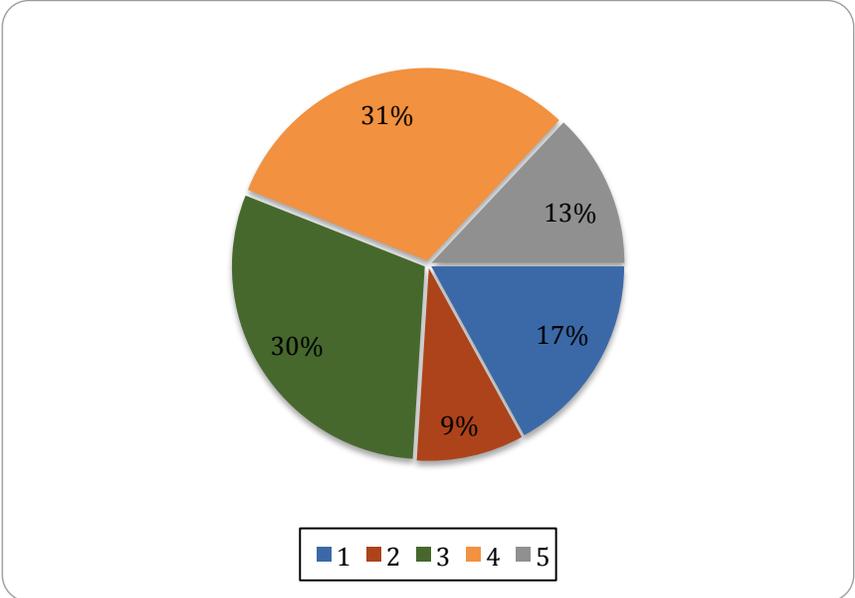
**Table 1: The type of questions asked**

'Scrutiny degree'	Description	Examples from hearings
1 (lowest level)	Questions/statements unrelated to the financial and economic situation of the minister's country, e.g. an MEP asks about another country or another topic not directly related to the country's situation.	<p><i>'Are you still on a European path given that you don't respect EU values, such as rule of law?'</i> (Hearing with Hungary, 29/02/12).</p> <p><i>'What opportunities are there for Ireland regarding if the UK leaves [the EU]?' (Ireland, 08/11/16).</i></p>
2	Questions/statements about a sector of the minister's country, unrelated to the key problem at hand.	<p><i>'Multinationals should pay their taxes to each nation. How will Ireland be more cooperative in accepting the Apple fine?'</i> (Ireland, 08/11/16).</p>
3	Questions/statements about the minister's approach to the EU rules.	<p><i>'What are your views on good financial supervision in the EU/CRD4 capital requirements legislation, which we are working on now?'</i> (Hungary, 29/02/12).</p> <p><i>'Do you agree with the creation of a European Commissioner who would have a right of veto over national budgets?'</i> (Spain 12/11/12).</p>
4	Questions/statements about specific economic and financial challenges faced by the minister's country.	<p><i>'What timescale can be envisaged to paying down Greek sovereign debt? What can we do?'</i> (Greece, 13/11/12).</p> <p><i>'Could you be a little more detailed about how you view the situation with banks and their indebtedness?'</i> (Slovenia, 09/07/13).</p>
5 (highest level)	Asks the minister to explain herself/himself about the specific problem at hand and explain how it will be rectified.	<p><i>'What kinds of measures are you going to take in the upcoming months to really bring your policies in line with the EU's approach in the Six-Pack (other than the use of pension funds)?'</i> (Hungary, 29/09/12).</p> <p><i>'I have a question on the database that had been created to compare capital flows leaving Greece with the tax declarations from Greek people. I think this is a good tool, but I wonder when it will be fully in place. When will the [Greek] government fully deliver on this?'</i> (Greece, 02/03/16).</p>

Source: Author's own compilation

Figure 1 shows the ‘scrutiny degree’ of all 232 questions asked by MEPs to national ministers appearing before ECON under the economic dialogue in the twelve dialogues. Most of the questions (66 percent) do not focus on the specific financial and economic challenges faced by the country under scrutiny. Only 13 percent of all questions seek to get a minister to explain how the problem would be addressed (category 5). Most questions aim at gaining information but do little to demand answers and explanations from national governments.

**Figure 1: Degree of scrutiny**



Source: Author’s own compilation

The differing knowledge between MEPs and account-givers may explain why MEPs raise general economic issues rather than focusing on issues that form the legal basis for the dialogue.<sup>54</sup>

The above shortcomings indicate that a strengthening of the economic dialogue needs to go further than only formalising the procedure. The dialogue is still a young initiative and is part of an ongoing learning process, so perhaps it can be regarded as an early indication of how the EP can play a greater role in creating a more democratic EMU in the future.

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<sup>54</sup>De la Parra, S. (2016) The Economic Dialogue: An Effective Accountability Mechanism?, in Luigi Daniele, Pierluigi Simone, and Roberto Cisotto (eds.), *Democracy in the EMU in the Aftermath of the Crisis*. Cham: Springer International Publishing, pp. 101-120.

# Does the monetary dialogue further the ECB's democratic accountability?

*By Sebastian Diessner, London School of Economics and Political Science*

**Abstract:** *The monetary dialogue has served as a means of accountability during the Eurozone crisis. It is, however, necessary to distinguish between 'formal' and 'substantive' accountability, as the dialogue enhances the former, but not necessarily the latter. A recent analysis of the verbatim minutes of the dialogue and an MEP survey show that the style and substance of the dialogue have improved between 2009 and 2014. The President of the European Central Bank (ECB) has shown an increased willingness to discuss both the technical details and the broader ramifications of its monetary policy. Over time, the dialogue has evolved into a more 'emancipated' working relationship. The ECB has sought a strategic partnership with Parliament's economic and monetary affairs committee to boost the understanding, acceptance and legitimacy of its increasingly unconventional monetary policy operations. MEPs are generally content with the nature of the dialogue.*

## Introduction

Does the quarterly monetary dialogue (MD) between the president of the European Central Bank (ECB) and the European Parliament's Economic and Monetary Affairs committee (ECON) further the ECB's democratic accountability? The short answer is: 'Yes, but...' Drawing on recent research by Collignon and Diessner (2016),<sup>55</sup> this policy brief demonstrates that the monetary dialogue has indeed served as a means of accountability during the years of the eurozone crisis. However, the brief also stresses that it is necessary to distinguish between two types of accountability – namely 'formal' and 'substantive' accountability – in order to assess the MD. While the dialogue serves to enhance the former, it does not further the latter.

## Central bank independence and accountability – two sides of the same coin?

The emergence and spread of delegating monetary policy to politically independent central banks is a relatively recent phenomenon, gaining traction only throughout the 1980s and 1990s.<sup>56</sup> The ECB came to be established towards the end of this period, in 1998, and it has since been viewed as one of the most independent monetary authorities

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<sup>55</sup> Collignon, S. and Diessner, S. (2016) 'The ECB's Monetary Dialogue with the European Parliament: Efficiency and Accountability during the Euro Crisis?', *Journal of Common Market Studies*, 54(6): 1296-1312.

<sup>56</sup> For an insightful review and discussion of the politics that surround the question central bank independence, see Fernandez-Albertos, J. (2015) 'The Politics of Central Bank Independence', *Annual Review of Political Science* 18: 217-237.

in the world.<sup>57</sup> The ECB's extraordinary independence not only stems from its narrow mandate (ascribing overriding priority to the objective of price stability and prohibiting any interference from outside actors), but also from the lack of a supranational fiscal counterpart: there simply is no unified 'principal' in the eurozone from which the ECB could be separated or independent.<sup>58</sup>

The flipside of a high degree of political independence, it is often argued, is a sufficient degree of democratic accountability. While central bank independence (CBI) effectively means that monetary policy-making powers have been delegated to technocratic (i.e. unelected) central bankers, the use of these powers is to be monitored and controlled by democratically elected representatives for CBI to be reconcilable with basic democratic principles. A simplistic understanding of the relationship between central bank independence and democratic accountability would therefore posit that the more independence a central bank is granted, the more accountable it has to be. Hence, given that the ECB is commonly seen as the most independent central bank in the world, its accountability should also exceed that of any other central bank.<sup>59</sup>

This view, however, needs to be qualified. Importantly, it hinges on a distinction between different *types* of accountability, namely formal and substantive accountability.<sup>60</sup> Formal accountability is best understood as an *ex-post* explanation and justification by the central bank for its policy actions, while substantive accountability entails the power to override the central bank, for example by making use of a range of sanctions. In other words, while formal accountability constitutes a form of 'answerability' to the questions of elected representatives, substantive accountability manifests itself in the enforcement of rewards or punishments by these representatives<sup>61</sup>. This distinction, I argue, has two major implications for the assessment of the monetary dialogue. First, while an increase in formal accountability is reconcilable with a high

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<sup>57</sup> See, e.g., Diessner, S. (2017) On Paradigms and Public Goods: Has the Eurozone Crisis Changed the Economic Paradigm of EMU? In S. Collignon, ed., *The Governance of European Public Goods: Towards a Republican Paradigm of European Integration*, Basingstoke, UK: Palgrave Macmillan, pp. 79-116.

<sup>58</sup> Goodhart, C.A.E (1998) 'The Two Concepts of Money: Implications for the Analysis of Optimal Currency Areas', *European Journal of Political Economy* 14(3): 407-432.

Diessner, S. and Lisi, G. (2018) 'Monetary, Fiscal and Financial Dominance in the Eurozone', Unpublished working paper.

<sup>59</sup> De Grauwe, P. (2012) *Economics of Monetary Union*. 9th ed., Oxford: Oxford University Press.

<sup>60</sup> Note that there appears to be some confusion in the literature in terms of terminology, as authors seem to use the labels 'formal accountability' and 'informal accountability' somewhat interchangeably (see Collignon and Diessner, 2016). For instance, compare De Grauwe (2012), with Buitter, W.H. (2006) 'How Robust is the New Conventional Wisdom in Monetary Policy? The Surprising Fragility of the Theoretical Foundations of Inflation Targeting and Central Bank Independence', *Centre for Economic Policy Research (CEPR) Discussion Paper 5772*, or with Sibert, A. (2010) Accountability and the ECB, in *38th Economics Conference*, Vienna, Austria: Oesterreichische Nationalbank, pp. 102-108.

<sup>61</sup> Braun, B. (2017) *Two Sides of the Same Coin? Independence and Accountability of the European Central Bank*, Brussels: Transparency International EU.

Schedler A. (1999) Conceptualizing Accountability, in A. Schedler, L. Diamond and M.F. Plattner (eds.), *The Self-Restraining State: Power and Accountability in New Democracies.*, Boulder, CO: Lynne Rienner, pp. 13-28.

degree of central bank independence, the same is not true for substantive accountability. Rather, there is a logical trade-off between the two: a higher degree of substantive accountability can only be achieved at the expense of central bank independence.<sup>2</sup> Second, both forms of accountability depend on an adequate degree of transparency, which enables elected representatives to form a judgement on the central bank's justifications for its policy actions in the first place. Taken together, these criteria enable us to examine whether the monetary dialogue furthers the democratic accountability of the ECB or not.

## **Evaluating the monetary dialogue**

In Collignon and Diessner (2016), we have studied how the quarterly monetary dialogue has fared throughout the trying times of the Eurozone crisis, taking into account the entire course of the seventh legislature of the European Parliament (i.e. all MD meetings that took place between the EP elections of 2009 and 2014). This has also allowed us to leverage on the change in ECB presidents that has occurred during this time. In order to operationalise the concept of formal accountability as 'answerability', we have conducted two different tests. On the one hand, we have performed a qualitative analysis of the verbatim transcripts of the monetary dialogue, thereby shedding light on the nature of the discussions between the members of the Economic and Monetary Affairs committee, representing the citizens of the European Union, and the president of the ECB, representing the central bank's governing council. On the other hand, we have conducted a detailed survey to probe into the perceived usefulness of the dialogue in the eyes of those who are directly involved in holding the ECB to account: the MEPs taking part in the dialogue.

First, with regards to the study of deliberation in the MD, our qualitative analysis of meeting transcripts uncovered a subtle, yet meaningful, shift in the discussions between the ECB president and the members of the ECON committee. Amongst others, we found the style and substance of exchanges between Mario Draghi and the MEPs to have improved over time, with the ECB president showing an increased willingness to discuss both the technical details and the broader ramifications of ECB monetary policy more thoroughly than had previously been the case, and even engaging in considerations about hypothetical and counterfactual scenarios that would usually have been cut short. By the end of the legislature, the monetary dialogue thus seemed to have evolved into a more emancipated working relationship in which the ECB and EP aimed to reflect on the central bank's crisis management from a range of different angles. This

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<sup>2</sup> Cukierman, A. (2011) Central Bank Finances and Independence – How Much Capital Should a CB Have?, in S. Milton and P. Sinclair (eds.), *The Capital Needs of Central Banks*. London and New York: Routledge, pp. 33-46.

Buiter, W.H. (2014) 'Central Banks: Powerful, Political and Unaccountable?' *Journal of the British Academy* 2: 269-303.

is in line with previous anecdotal evidence suggesting that the ECB sought a strategic partnership with the ECON committee in order to boost the understanding, acceptance and legitimacy of its increasingly unconventional monetary policy operations.<sup>68</sup> On the whole, the verbatim transcripts of the MD thus conveyed an improvement in the answerability of the ECB towards MEPs throughout the crisis, thereby furthering the central bank's democratic accountability.

Second, in order to double-check and substantiate the sense of enhanced answerability that we gained from our close reading of the transcripts, we then asked all MEPs who participated in the MD to take part in a survey about its usefulness – achieving an overall response rate of 32% among the full members of the committee throughout the seventh legislature. While this left some room for problems relating to non-response, our survey participants did span all political groupings within the EP and included both Eurozone and non-Eurozone MEPs. Most importantly, our respondents were an accurate reflection of the range of engagement by parliamentarians in the MD, with the only highly underrepresented MEPs being those who asked one or no question throughout the entire legislative period (the latter inarguably representing the less substantive part of the monetary *dialogue*). Amongst a range of relevant findings, the most significant results pertaining to the question of democratic accountability that we established were, a), that *all* survey participants deemed the monetary dialogue to be either 'sometimes' or 'always' useful for themselves and, b), that a clear majority of 70% of respondents believed that the ECB takes their views into account, at least 'occasionally'. Taken together, this increased our confidence in the previous finding that the MD has enhanced the ECB's accountability towards the members of the ECON committee throughout the period of observation.

## Conclusion and outlook

Our findings imply that the monetary dialogue furthers the ECB's democratic accountability. However, it does so in a non-substantive manner only, i.e. it enhances the central bank's formal accountability without affecting its substantial accountability. Beyond this, both types of accountability hinge on an appropriate provision of transparency. The answerability of the ECB in the MD, as well as the dialogue's perceived usefulness in the eyes of MEPs, suggest a certain degree of transparency on behalf of the central bank. Nevertheless, MEPs in the ECON committee have repeatedly, and successfully, fought for additional improvements in the ECB's transparency (a recent example being the decision by the central bank to publish more detailed information regarding its purchases of corporate bonds).

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<sup>68</sup> Torres, F. (2013) 'The EMU's Legitimacy and the ECB as a Strategic Political Player in the Crisis Context', *Journal of European Integration*, 35(3): 287-300.

This policy brief suggests that the ECON committee should continue to hold the ECB to a high degree of transparency, and that the monetary dialogue is the appropriate venue for enhancing the central bank's *formal* accountability. Improving its substantial accountability (for example, by giving the MD the power to appoint and dismiss the members of the ECB's executive board), however, is an issue that cannot be separated from discussions about the central bank's political independence.<sup>64</sup> Arguably, such discussions need to take place beyond the scope of the monetary dialogue, as they pertain to a wider overhaul of the Eurozone's institutional architecture.

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<sup>64</sup> MEPs seem to be cognisant of this: when asked about central bank independence in our survey, *all* participants deemed the ECB's independence to be 'a good thing'.

# Does the Eurozone need its own Parliament (or EP committee) and is it possible in practice?

By Luca Lionello, Catholic University of Milan

**Abstract:** *The idea of creating a separate democratic representation for the Eurozone has recurred several times, although it has been met with scepticism on several accounts. Scholars and practitioners are divided when it comes to deciding whether the European Parliament (EP) or another separate assembly would be most appropriate to meet the democratic needs of the Eurozone. Despite the risk of fragmenting the current democratic representation at the EU level, the idea of some sort of parliamentary scrutiny of the euro area should not be dismissed, as national economic policy sovereignty has been weakened during and after the sovereign debt crisis. This contribution examines the current legal possibilities to create a new democratic representation for the Eurozone – be it a new EP committee or a separate assembly. However, the final choice – if made – in the end depends on the political choices of the EU and its governments.*

## Introduction

Over the last few years, the proposal to create a separate level of democratic representation for the euro area has recurrently come to the fore together with the project of the Eurozone budget or fiscal capacity. Until now, most academic and political commentators have been sceptical of this idea, and even President Juncker has recently stated that the Parliament of the euro area can only be the European Parliament (EP).<sup>65</sup> Despite the collateral risks of fragmenting democratic representation in the EU, the project of *ad hoc* parliamentary scrutiny for the euro area should not be hastily dismissed, as it is symptomatic of the latest developments of the European integration process.

## The democratic deficit of the Eurozone governance

The euro area started expressing *special democratic needs* after the outbreak of the sovereign debt crisis, when the stability of the monetary union was ensured through the introduction of some urgent measures, namely the strengthening of European supervision on national budgets, the application of the balanced budget rule in national constitutional law<sup>66</sup> and the provision of conditional financial support by the European

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<sup>65</sup> President Jean-Claude Juncker's state of the Union Address 2017, Available at: [http://europa.eu/rapid/press-release\\_SPEECH-17-3165\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm), Accessed 22 April 2018.

<sup>66</sup> In particular, the Treaty on Stability, Coordination and Governance provides that the budgetary position of the general government of the contracting parties must be balanced or in surplus. This provision must be incorporated through provisions of binding force and permanent character, preferably constitutional.

Stability Mechanism (ESM).<sup>57</sup> While these reforms successfully removed the risks of sovereign default in the member states, they also deprived domestic parliaments of some of their sovereign prerogatives, as the most important decisions of national economic policy now have to be agreed with the European Commission and the Council. The toughening of European control over domestic budgetary policies has clearly weakened national democracies and, unfortunately, no measure has been taken so far to balance this negative trend. The EP has indeed maintained a marginal role in the economic governance and is still subordinate to the authority of intergovernmental institutions. This creates the problem of satisfying the growing democratic needs of the euro area. The issue now is to understand *who is better* able to do that: the EP as a whole or a separate assembly? Scholars are notably split on answering this question.

### **Who can best satisfy the democratic needs of the euro area?**

On the one hand, the EP does look like the better candidate for fostering democracy in the euro area. Over the years it gained a significant political authority and developed real powers of co-decision on most legislation. The creation of a new democratic representation for the euro area would definitely undermine its legal prerogatives and political role. The members of the European Parliament (MEPs) would start being distinguished according to their country of origin in contrast with the principle by which they shall represent all EU citizens as a whole.<sup>58</sup> The creation of a separate level of democracy for the euro area seems even less logical considering that (almost)<sup>59</sup> all member states are supposed to introduce the single currency, thus causing the Eurozone representatives to eventually coincide with the MEPs.

At the same time, some important criticism has been addressed on the ability of the EP to fulfil the special democratic needs of the euro area. First, it is necessary to acknowledge that over the past years a fracture has emerged within the Union between the member states that share the single currency and those that do not. This division has revealed itself through a diversification of *interests and needs* within the Union. Issues like the rescue of countries experiencing financial difficulties, the breakup of the toxic loop between sovereigns and banks, and the difficult economic recovery after the crisis have particularly impacted on the Eurozone, pushing its member states to find common solutions to these problems. In light of this fracture, the EP might not be the best institution to take care of the Eurozone's priorities because a quarter of its members come from countries that are not directly affected by these specific needs and interests.

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<sup>57</sup> Conditions of financial assistance are negotiated by the concerned member state and the representatives of the Commission, the ECB and the IMF (Troika) in a Memorandum of Understanding (MoU) and then formalised in a financial assistance facility agreement approved by the Board of Governors of the European Stability Mechanism.

<sup>58</sup> See art. 14 (2) TEU.

<sup>59</sup> The United Kingdom and Denmark have a permanent derogation.

Second, the *current composition of the EP* is unable to ensure a genuine representation of citizens. On the one hand, MEPs are still elected nationally on the basis of different domestic laws and without a genuine European debate; on the other, the principle of digressive proportionality makes sure that citizens residing in smaller states are proportionally more represented than those living in the larger countries. Lastly, the ongoing political tensions between the EU and several governments on issues such as the distribution of refugees and the compliance of domestic laws with the democratic principle may prevent member states from reaching the necessary *unanimity* to confer new tasks to the EP.

### **What would a Eurozone level of democracy look like?**

Considering now the feasibility of establishing a separate level of democracy for the euro area within the current legal framework, the EU Treaties definitely exclude any major institutional reform of this kind. Scrutiny is either established through an informal agreement between the political parties without providing them any legal authority, or governments have to choose the path of constitutional amendments to the EU Treaties ex-art. 48 TEU. Member states may set up a separate assembly beyond the EU legal framework though an intergovernmental agreement only if it is difficult to reform the EU Treaties through unanimity.

In light of these observations, we can imagine some potential manifestations of a Eurozone parliamentary scrutiny. One is the setting up of a '*Eurozone committee*' within the EP composed only of MEPs coming from the countries that share the single currency. The committee would take part fully in the Eurozone governance and keep the plenary informed of its decisions. At the same time, the reform would ideally take the opportunity to remedy some important deficits of democratic representation in the EP, such as a digression in the proportion of electors and elected and the lack of common electoral law. Another possible manifestation of a separate parliamentary scrutiny could be the creation of a *new assembly* elected by the citizens living in the Eurozone. If the reform passed through a Treaty change ex-art. 48 TEU, this separate parliament should ideally become a new institution of the EU. Last, a separate parliamentary scrutiny for the euro area might also take the form of an *inter-parliamentarian assembly* composed of national parliamentarians from the Eurozone countries. Even if this assembly might be less compact, it would offer the opportunity to take count of both majorities at European level and within each national parliamentarian delegation.<sup>70</sup>

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<sup>70</sup> This might be necessary if national constitutional courts required that domestic parliamentary representations agree on fiscal decisions taken at the European level.

## Conclusion

Aside from the speculations on the feasibility and potential for a Eurozone parliamentary scrutiny to be established, the most important outcome of the debate should be to understand the fundamental reasons why this proposal was put forward in the first place. The idea of creating a separate level of democracy has not only arisen in relation to the Eurozone; there are several other examples in the EU of multispeed integration, such as Schengen or the Permanent Structured Cooperation on security and defence (PESCO). Democratic accountability is a fundamental precondition of any process of fiscal integration. The establishment of democratic regimes in modern history has indeed had the purpose of making governments accountable to their citizens in regard to how they were collecting and spending public resources. This was the motto of the American Revolution: no taxation without representation. Considering the ongoing process of fiscal integration in the euro area, member states have *de facto* accepted a joint administration of their budgetary policies and are considering creating a separate budget and fiscal capacity.<sup>71</sup> From this perspective, the creation of a fiscal union in the Eurozone would require fixing the longstanding deficit of democracy in the EU. Whether the solution consists of a separate parliamentary assembly for the euro area will depend on the political choices of national governments and European institutions.

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<sup>71</sup> European Parliament resolution of 16 February 2017 on budgetary capacity for the euro area (2015/2344(INI)); Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank on New Budgetary Instruments for a stable Euro Area within the Union Framework, COM/2017/0822 final.

### III. RESPONSE TO THE COMMISSION'S REFORM PROPOSAL TO CREATE AN 'EUROPEAN FINANCE MINISTER'

#### **How would a European Minister of Economy and Finance be held accountable to the European Parliament?**

*By Sophia Russack, Centre for European Policy Studies*

**Abstract:** *The Commission's proposal to create a European Minister of Economy and Finance aims to merge the responsibilities of the President of the Eurogroup and the European Commissioner for economic and financial affairs. This new post is double-hatted in nature and carries both intergovernmental and supranational elements. Under the supranational hat, the 'EU Finance Minister' will be accountable to the European Parliament (EP) through appointment approval, during the mandate, and the potential cast a vote of no confidence. Legally, the intergovernmental hat is, however, less accountable to the EP beyond a range of reporting obligations. The position of the potential EU Finance Minister might secure a greater say for the EP on elements covered by the intergovernmental hat, as it may prove difficult to completely separate the two in practice.*

#### **Introduction**

The idea of creating a European Minister of Economy and Finance<sup>22</sup> was first floated by Commission President Juncker in his State of the Union speech last September and subsequently included in the Commission's Communication<sup>23</sup> as part of its roadmap to complete the Economic and Monetary Union (EMU).<sup>24</sup> The idea is to create double-hatted position, merging the responsibilities of the President of the Eurogroup and the European Commissioner for economic and financial affairs.

While monetary policy is already centralised at the euro area level, the Commission stresses that economic policy excessively reflects national preferences (on questions of the budget, taxes, sectoral policies and fiscal policies). As a member of the Commission, the new EU finance minister would serve the interests of both the member states and the common European good. S/he could, furthermore, strengthen the overall policy

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<sup>22</sup> For the sake of brevity, in the following I will refer to the 'EU Finance Minister'.

<sup>23</sup> European Commission (2017), 'Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank "A European Minister of Economy and Finance"', COM(2017) 823 final, 6.12.2012.

<sup>24</sup> Ibid

coordination and oversight of fiscal and financial rules, boost fiscal policy and oversee budgetary instruments.<sup>75</sup>

The new Commissioner's position can be created without a treaty change. Only the Eurogroup's working methods, which are informally agreed, would need to be adapted, as they currently require that candidates for the office of President must hold the position of Minister of Finance of a member state. Article 2 of Protocol No. 14 on the Eurogroup, annexed to the Treaties, states that 'the Ministers of the Member States whose currency is the euro shall elect a president for two and a half years, by a majority of those Member States'. The Commission suggests that the Eurogroup elects the Minister as its President for the whole duration of the Commission's mandate to align it with the duration of the post as member of the Commission. This would require a decision within the Eurogroup by simple majority.

The Commission stresses the importance of the accountability of the EU Finance Minister to the European Parliament (EP). In this paper, I assess how accountable this new post is by comparing the new EU Finance Minister post (as envisaged by the Commission) with the accountability of (1) the High Representative of the Union for Foreign Affairs and Security Policy (HRVP) (the only existing hybrid position), (2) other Commissioners, and (3) the Eurogroup president.<sup>76</sup>

### **Political accountability**

The conceptual approach by Mark Bovens<sup>77</sup> will be used in this analysis. He defines accountability as the relationship between an actor and a forum, in which the actor has an obligation to explain and justify his/her conduct, which enables the forum to pose questions and pass judgements and potentially sanction the conduct of the actor.<sup>78</sup>

In the following, I first compare the accountability of the only other hybrid post in the EU will be assessed: the HRVP. This post is both supranational and intergovernmental in nature. The HRVP serves as Vice-Presidents of the European Commission (Article 17(4) TEU), presides over the Foreign Affairs Council (Article 18(2) TEU) and takes part in the work of the European Council (Article 15(2) TEU). Thereafter, I examine the

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<sup>75</sup>Ibid

<sup>76</sup> This paper assesses the accountability of an EU finance minister (how the Commission envisages it) towards the European Parliament. It does not assess the meaningfulness of such a post for EU economic governance. For contributions on the post's institutional design and assessment of its competences see for instance: Gros, D. (2017) 'The Commission's Views on Strengthening the Euro Area: Barking up the wrong tree?', *CEPS Commentaries*, Available at: <https://www.ceps.eu/publications/commissions-views-strengthening-euro-area-barking-wrong-tree>, Accessed 26 April 2018.

<sup>77</sup> Bovens, M, (2007) 'Analysing and Assessing Accountability: A Conceptual Framework', *European Law Journal* 13( 4): 447–468.

<sup>78</sup> Ibid, p. 450.

accountability of the two existing posts the Commission suggests to merge to create an EU Finance Minister.

The Eurogroup is an informal body consisting of the Finance Minister of all euro area countries and is currently chaired by a permanent President appointed by the group for two-year term. The Eurogroup President's main responsibility is the policy coordination of the members of the Eurozone.<sup>79</sup> Like the Foreign Affairs Council, the Eurogroup escapes the rotating duty of serving as the Presidency of other Council formations (such as the Economic and Social Affairs Council, ECOFIN). Unlike the Eurogroup, a full-time President heads the European Council.

The treaties refer to collective accountability of the Commission towards the EP. The College's only exception is the post of the HRVP. Otherwise no difference is made between the members of College regarding accountability mechanisms. According to Boven's accountability framework, a relationship qualifies as a case of accountability when the following characteristics apply:

- *Legal relationship*: There is a legal basis for the relationship.
- *Explain and justify*: The actor is obliged to explain and justify his/her conduct and the forum is able to pose questions and judge the actor's performance.
- *Political consequences*: The actor may face sanctions or consequences.

### *Legal relationship*

The legal basis for the relationship between the Commission as a collective and the HRVP individually is established in both the Treaty on European Union (TEU; Articles 17, 36) and the Treaty on the functioning of the European Union (TFEU; Articles 215, 222, 230, 234, 328). The Rules of Procedure of the European Parliament lay out the relationships in greater detail. The Eurogroup, as an informal body, has its legal basis in Protocol 14 of the Lisbon Treaty. There is no legal relationship between the Eurogroup President and the EP in the EU treaties.

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<sup>79</sup> See Protocol No 14 of the Lisbon Treaty, Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12008M%2FPRO%2F14>, Accessed 26 April 2018.

## *Explain and justify*

Parliamentary questions are the main instrument by which the EP can ask other EU institutions to explain and justify their actions. The Rules of Procedure of the EP<sup>80</sup> describe the three categories of parliamentary questions:

- Written questions that request a written answer from the addressee are (from a procedural point of view) the easiest form of direct parliamentary scrutiny. Any member can pose a maximum of 20 questions over a rolling period of three months. These questions can be addressed to all major EU decision-maker: The President of the European Council, the Council, the Commission, and the HRVP. The questions, including the answers, are available to the public on the EP's website.
- Oral questions posed for an oral answer during a plenary sitting constitute the second category. These questions can be directed to the Council, the Commission, or the HRVP placed by a committee, a political group, or Members (Rule 128, Rules of Procedure of the European Parliament).
- 'Question Time', during which questions can be directed to the Commission. In these sessions, which run up to 90 minutes, two or three Commissioners will respond to questions on more horizontal topics related to their portfolios. Under the pre-determined horizontal theme, MEPs can pose questions, which the Commissioner(s) must address directly. Specific question hours are organised with the Council, the President of the Commission, the HRVP or the President of the Eurogroup (Rule 129, Rules of Procedure of the European Parliament).

There is no legal obligation for the other institutions to follow the EP's rules of procedure; only the EU treaties (primary law) or other legal instruments (secondary law) are binding on all institutions. The Commission is, however, obliged to answer parliamentary questions, as it is enshrined in the EU treaties (Article 230 TFEU<sup>81</sup>).

Parliamentary oversight of the HRVP is also determined in the treaties: 'The European Parliament may address questions or make recommendations to the Council or the High Representative' (Article 36 TEU). S/he is legally obliged to 'regularly consult the European Parliament on the main aspects and the basic choices of the common foreign and security policy and the common security and defence policy and inform it of how those policies evolve' and 'ensure that the views of the European Parliament are duly

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<sup>80</sup> European Parliament (2014) 'European Parliament 2014-2019, Rules of Procedures', Available at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+RULES-EP+20170116+0+DOC+PDF+V0//EN&language=EN>, Accessed 26 April 2018.

<sup>81</sup> 'The Commission shall reply orally or in writing to questions put to it by the European Parliament or by its Members.'

taken into consideration' (Article 36 TEU). Twice a year the EP 'shall hold a debate on progress in implementing the common foreign and security policy, including the common security and defence policy' (Article 36 TEU). Apart from this general obligation, the treaties foresee the briefing of the EP in some specific cases, touching upon the restrictive measure (Article 215 TFEU), the solidarity clause (Article 222 TFEU) and enhanced cooperation (Article 328 TFEU).

President of the Eurogroup, however, is not obliged by the treaties to submit to parliamentary oversight, not even the Council.<sup>82</sup> The Parliament's Rules of Procedure foresee the attendance of the Eurogroup President in the context of the 'Question Time', but s/he is not legally bound to be present, nor do the EU treaties establish any obligation for the Eurogroup President to report to the EP. Hence, appearance in the plenary session is inspired more by political commitment or even goodwill, than by legal obligation.

The Eurogroup President is not obliged to attend EP sessions and in the past has rejected the invitation of the Parliament to give an account of the Eurogroup's work to the plenary.<sup>83</sup> In response to an MEP's written question on precisely that topic<sup>84</sup>, the Council referred to the accountability of the individual ministers vis-à-vis their respective national Parliaments and noted that from the Council's perspective the Eurogroup President is not supposed to be accountable to the European Parliament<sup>85</sup>.

In line with the EU's economic governance framework, so-called Economic Dialogues are organised aimed at enhancing the dialogue between the EU institutions. As determined by secondary legislation, 'the competent committee' of the EP may 'where appropriate' invite the President of the Eurogroup to 'appear before the committee'.<sup>86</sup> Practice from the past years shows that these dialogues between Eurogroup President and the Economic and Monetary Affairs (ECON) Committee take place twice a year, at the beginning of the year and in the autumn. The appearance in the ECON committee is legally binding for the Eurogroup President, as it is based on for secondary legislation. However, the regular instruments of parliamentary scrutiny do not apply to the Eurogroup president.

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<sup>82</sup> Schutze, R. (2018) *Oxford Principles of European Union Law: Volume 1: The European Union Legal Order*, Oxford: Oxford University Press, p.482.

<sup>83</sup> European Commission (2017), 'Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank "A European Minister of Economy and Finance"', COM(2017) 823 final, 6.12.2012.

<sup>84</sup> European Parliament (2017) 'Parliamentary questions, April 2017', Available at: <http://www.europarl.europa.eu/sides/getDoc.do?type=WQ&reference=E-2017-002525&format=XML&language=EN>, Accessed: 26 April 2018.

<sup>85</sup> The Council's reply is available here: European Parliament (2017) 'Parliamentary questions, 26 June 2017, Reply', Available at: <http://www.europarl.europa.eu/sides/getAllAnswers.do?reference=E-2017-002525&language=EN>, Accessed: 26 April 2018.

<sup>86</sup> Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, OJ L 209, 2.8.1997, p. 1, Article 2ab.

## *Political consequences*

The EP holds two very important powers in regard to consequences: the approval and dismissal of the college. First, the EP has control over the Commission before it takes office by conducting detailed hearings with all appointed Commissioners, after which the Commission as a whole is put to a vote in the European Parliament (Article 17(7) TEU). Although this is formally a collective mechanism, the EP has used this right of veto (or rather its threat) to replace individual members of the Commission, as seen with the EP's rejection of Slovenia's Commissioner designate Alenka Bratušek in 2014<sup>87</sup>. This is an *ex-ante* rather than an *ex-post* mechanism, but it is nonetheless relevant, as approval and dismissal go hand-in-hand. This applies to the HRVP to the same extent as it does to the other members of the College. The President of the Eurogroup is elected by a simple majority by the group itself and the EP's approval is not needed. The EP cannot issue a motion of censure against the Eurogroup president. Neither can it issue any other sanctions towards him/her.

Second, the EP can sanction the Commission by adopting a motion of censure or a vote of no confidence (Article 234 TFEU). In that case, all members of the Commission must collectively resign. Here one has to distinguish between the HRVP's two 'hats'. If Parliament adopts a motion of censure against the Commission, the High Representative of the Union for Foreign Affairs and Security Policy has to resign only as far as his or her duties in the Commission are concerned (Article 17(6)). The treaties do not specify what happens to the Council and European Council's duties. However, the treaties prescribe that the HRVP shall be replaced 'in the event of resignation, compulsory retirement or death' (Article 246 TFEU) and that it is the responsibility of the European Council (with a qualified majority and the agreement of the President of the Commission) to end the term of office (Article 18(2) TEU). Hence, there is no automatic resignation between these two functions, which means that the EP only has the power to terminate the HRVP's role as Vice-President of the Commission. The EP cannot terminate the term of the Eurogroup president.

To summarise, parliamentary oversight of the European Commission is the most developed among the institutions, as it entails a legal obligation of the Commission to face and address parliamentary questions and invests the EP with the power of approval and dismissal of the whole College.

The HRVP is subject to similar accountability mechanisms as s/he is contractually bound to respond to parliamentary questions and must be approved by the EP before entering office. The only limitation here is that the EP cannot terminate an intergovernmental position, such as the High Representative – only the Vice-President

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<sup>87</sup> Peterson, J. (2017) 'Juncker's Political European Commission and an EU in Crisis: Juncker's Political European Commission and an EU in Crisis', *Journal of Common Market Studies* 55 (2): 349-367.

of the Commission exercises that power. His/her supranational 'hat' is subject to stronger accountability mechanisms than the intergovernmental post.

There are hardly any mechanisms available to the EP to hold the Eurogroup President to account. None of the mechanisms discussed above applies to this post. The only legally binding measure is the biannual appearance before the ECON Committee.<sup>8</sup>

## Conclusion

This contribution aimed to establish whether and to what extent a potential future post of a European Finance Minister would be accountable to the EP. This assessment of the EU's legal framework leads to two main conclusions.

First, as a member of the European Commission, the supranational 'hat' of an EU Finance Minister would be held democratically accountable by the EP through normal procedures: Before taking office through appointment approval, during the office through parliamentary questions, and through the potential office termination.

Second, and legally speaking, the intergovernmental 'hat' is less accountable. The HRVP is not only accountable through his/her role as Vice-President of the Commission, but in his/her full capacity. The supervisory role of the EP over the Council is traditionally very limited, but the EU treaties specify his/her reporting obligations in separate provisions, explicitly referring to this post and thereby virtually 'covering' his/her intergovernmental side. Even if these additional provisions are less precise, they do manifest a degree of obligation on the part of the HRVP towards the EP. Under the current legal framework, the intergovernmental 'hat' of the EU Finance Minister would not be subject to similar accountability mechanisms.

What needs to be considered in the context of this analysis, however, is the question of whether this legal divide between the supranational and the intergovernmental 'hat' has practical relevance. The division might be a somewhat artificial intellectual exercise. *De jure* these are two posts, but *de facto* the future Finance Minister is one person and would always appear in the capacity of both positions before the Parliament. Following this logic, the merger in one person might secure accountability for a post that would otherwise not be accountable or at least significantly less so. One could consider this as informal accountability, as opposed to formal accountability that stems from the EU treaties. Here the EP would not be able sanction the Eurogroup in any way, but it would be better informed about the group's actions.

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<sup>8</sup> The Commission is aware of that the Eurogroup engages with the EP on a voluntary basis.