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Publication Date
2013-10-01

FOUNDATION FOR EUROPEAN PROGRESSIVE STUDIES
FONDATION EUROPÉENNE D'ÉTUDES PROGRESSISTES

The Difficult Role of Parliaments in the Reformed Governance of the European Economic and Monetary Union

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The point of departure is an assessment of this new reformed governance, particularly organised within the so-called 'European Semester'. This governance was considered by the European Commission and the Member States' governments to be the indispensable condition of a well-functioning Economic and Monetary Union, and it was also considered by a number of these governments to be the pre-condition of putting an official financial solidarity mechanism in place.
This assessment shows that the reformed governance reduces national parliaments' legitimating and controlling role over EMU-related policy-making at national level, whereas the EP did not have a comparable role at EU level in the first place.

Study No.19, August 2013

*The views expressed in this article are those of the author and do not necessarily represent the views of, and should not be attributed to, the Foundation for European Progressive Studies

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Abstract

The project assesses whether and how the reform of economic governance in the EU has affected democratic control of budgetary and economic policy making at national and at EU levels. The analysis has concentrated on the European Semester as the principal frame of the new governance.

The research seeks to identify the options available to re-strengthen democratic parliamentary control at the national and at the EU level, according to the place and degree of impairment.

Even though the reform of economic governance itself has largely followed democratic procedures, it remains inter-governmental in character: insofar it has clearly compromised democratic control and involvement in budgetary and economic policy making.

At the national level the existing parliamentary procedures have been partly devalued; at the EU level new coordinating competences have been created for budgetary and economic policy making which do so far lack the appropriate parliamentary complement.

At both levels corrective action has begun, but it has advanced farther in many Member States especially from Northern Europe than at the EU level. In Germany, the Netherlands, Finland and Denmark for instance, governments may not agree to the most consequential new coordinating measures without the agreement of parliament, and even heads of government do not escape a more effective parliamentary control ahead of European Summits.

At EU level, the European parliament has concentrated on participating in ambitious reform legislation, disregarding implementation control until very recently. Governments have on their part agreed among themselves to create a new EU-level inter-parliamentary conference IPC composed of national MPs and of MEPs (Members of European Parliament) which is to accompany the implementation of new economic governance in as yet undefined ways. National parliaments as well as the EP have agreed to participate.

This study puts forward the following recommendations:

Continue the re-strengthening of parliaments in the control of economic governance. Confirm and spread appropriate measures to all Member States. Conceive correspondent measures for the EU level and translate them into rules and procedures.

In a status-quo EMU where budgetary responsibilities remain entirely at the national level, the IPC is important and unavoidable. At the same time it represents the National parliaments very insufficiently indeed and threatens to trespass into territory which the European Parliament considers its legitimate territory.

Define IPC competences and share them between National parliaments and the EP in a flexible manner which is open to future changes in competence distribution.

To strengthen the role of the European Parliament, the report recommends to

- Introduce a measure of EP control in the implementation of the new economic governance,
- Differentiate between the rules which only concern the Euro zone MS and those concerning the EMU altogether.
- Limit voting on Euro zone issues to a committee composed only of MEPs from the Euro zone, vote on other issues in the entire European Parliament.

Executive Summary

Point of Departure: Assessment of this new Reformed Governance

The point of departure is an assessment of this new reformed governance, particularly organised within the so-called ‘European Semester’. This governance was considered by the European Commission and the Member States’ governments to be the indispensable condition of a well-functioning Economic and Monetary Union, and it was also considered by a number of these governments to be the pre-condition of putting an official financial solidarity mechanism in place.

This assessment shows that the reformed governance reduces national parliaments’ legitimating and controlling role over EMU-related policy-making at national level, whereas the EP did not have a comparable role at EU level in the first place.

Secondly, the reduction at the national level is not compensated by the European Parliament at EU level. One reason for this deficiency is the European Parliament’s insufficient effort to gain a significant parliamentary role in implementing the European Semester. Indirectly, however, the EP may gain more influence on the Commission’s management of the European Semester by gaining determining influence on the choice of the Commission president from 2014.

The Effects of this Weakening of Parliamentary Influence on Democracy in the EU or for the European Semester are ambivalent, partly positive and partly negative.

The effects are not negative if one considers public opinion about democratic rule and the place of parliaments as the yardstick. The newest data relating to this question clearly show that it was the deterioration of peoples’ economic and social conditions in different Member States that reduced the popular appreciation of democratic rule at national and at European level, rather than the de-parliamentarisation of EMU governance, insofar as so-called out-put legitimacy counted more than input-legitimacy, of which parliamentary rule is an important part. But the report also underlines that efficient and impartial administrative institutions are considered to be a determining component of the output-legitimacy.

They might even be considered positive if only seen in relation to an efficient clockwise execution of the European Semester. The weakening of parliaments’ influence can even be considered here to be an advantage because it reduces uncertainty and possible resistance to the European Semester at the national institutional level.

Due to more fundamental considerations, however, the report concludes that this weakening is clearly negative, for democracy as well as for the European Semester. When also taking the notions of ownership, predictability, medium-term acceptance and political stability at Member State level into consideration, re-empowered parliaments, even with their risks of friction and blockades, are preferable to uncontrollable protest in the streets. Additionally, the efficiency and impartiality of administrative institutions are also liable to suffer in the absence of parliamentary control.

The report therefore takes sides with those who demand a re-strengthening of parliamentary influence in EMU governance.

Re-strengthening Parliamentary Influence in EMU Governance: Two scenarios: ‘Status Quo’ and ‘Change’

The report addresses this issue in two scenarios: firstly, in a status-quo scenario of currently-valid institutional and legal variables, and secondly, in a scenario with changing variables. Secondly, the notion of a vertical and a horizontal ‘dilemma’ is very helpful to understand the dynamics and the difficulties of this parliamentary re-strengthening issue. This notion has a central place in this analysis.

The 'vertical dilemma' refers to the vertical relationship between the Member State level and the Union level, where the historic power transfers which led to European integration took place. The report shows a major dilemma in the Member States' unwillingness to follow this model for their economic and fiscal policies. They do not transfer them to the Union level, and they do not even want to share them with the Union, even though they create a fully Europeanised monetary authority. *The EMU governance remains inter-governmental*.
The 'horizontal dilemma' refers to the horizontal relationship between the different institutions and methods at EU level with which Member States share the power for organising European policy-making. The report highlights the major dilemma of EMU governance, caused by the fact that *it is composed of two sets of measures /rules: those concerning only the Member States of the Euro group, and those concerning all of the EU*. And it is organized between EU-level institutions which represent either only the first, like the Euro Summit, or all Member States, such as the European Council, for example

(1) The 'Status-Quo' scenario. This is divided in two parts. The first part can be discussed in terms of these two dilemmas.
This scenario takes stock of developments at a point in time - spring 2013 - and draws political consequences out of these developments.
The report shows the effect that both dilemmas have on the EMU governance structures which are currently in place. Taking them into account highlights the shifting ground on which these evolving structures are built and the main problems to which they need to pay attention. These dilemmas influence the position of parliaments at the national and at the European level in a contradictory manner. The report notes that many experts and political actors consider them to be a double barrier against the European Parliament playing a full parliamentary role in EMU governance.
The intergovernmental method of decision-making, ceding only coordinating powers to the EU in this field, deprives the European Parliament of an executive counterpart to control. The Euro-group's restricted membership renders the votes of the whole European Parliament on Eurozone governance affairs problematic.
A strengthening effect for the European Parliament, vis-à-vis the European Commission, of as yet uncertain dimensions and utility, will undoubtedly come in 2014 with the first 'election' of a Commission president by the parliamentary majority. On the other hand, in turning to national parliaments, the report finds that they have partly recovered from their historic weakening during the decades of ongoing competence transfers from the national to the EU level. They have gained a measure of policy-making influence over their governments' European and EMU policies; this even includes the new decision-making at European Council and at Euro-Summit level.
Differences existed and remain between the national parliaments concerning the degree of recovery for each of them. But in summary, the two dilemmas confirm their indispensability as democratic instances watching over national governments' EMU policies. In addition, they incite them to search for an EU level presence and voice.
Despite these obvious problems, and as of 2013, the report concludes that the vertical dilemma is not yet so severe as to forbid a push for a larger EP-role in enhanced Eurozone governance, and, accordingly, the horizontal dilemma does not yet forbid inclusive EP procedures for performing this role. But this is a hypothetical conclusion, because it appears very unlikely that the situation could be frozen at this point in spring 2013. Nevertheless, it is useful to bear this point in mind and to follow up with the second part of this scenario.
The second part of this status-quo scenario is constituted by the Fiscal Pact's (TSCG) Concept of an Inter-parliamentary Conference IPC. The report examines its suitability as an inclusive approach to re-strengthen parliamentary influence over EMU governance. The result is positive and the large majority of national parliaments do, in fact, support this solution. But alongside its participation in the IPC, the European Parliament should strive for a well-defined autonomous parliamentary role concerning specific executive or legislative steps of the European Semester and concerning the whole EMU.
An indispensable condition for this concept to be able to function would be a clear sharing of parliamentary tasks in EMU between those to be fulfilled at the EU level by the European Parliament and those to be fulfilled at national level by national parliaments vis-à-vis their governments. An evolutionary clause must permit and constrain parliaments to adapt this agreement to changes in EMU governance. This increases the urgency of explicit negotiations between the two parliamentary levels, perhaps to be supported by the European Commission.
A number of criteria are underlined in the report which can help in this division of tasks. One criteria is the respect for existing constitutional responsibilities of existing parliamentary

institutions at national level and European level, and another is the scope of the executive act, i.e. whether it affects only specific national societies and institutions, or several, or even all of the Member States.

Legal principles and precedents are suggested for the form in which the European Parliament's intervention could take and which depend on the legal quality of the respective acts of (European) Council or Commission: legislative or executive. A case-by case introduction of OLP for the first, and an introduction of a type of comitology procedure for the second, appear promising.

The report also points to the instruments at the disposal of the European Parliament to help advance its objectives: the ordinary legislative procedure for legislative initiatives of the Council and the Commission which concern past but also future (!) EMU governance – the last case having been the OLP regarding the Two-pack legislation. And the so-called inter-institutional agreements instrument, by which the EP could try to win concessions on EMU governance by using the indispensability of its agreement on other non-related issues.

Again, it must be underlined that the status quo permitting this combination of institutional solutions is very unlikely to persist, and it will probably change even more in a relatively short time. Political actors should therefore not adapt their strategy to this status quo but rather to the changes they already expect for the medium-term future.

For this task, some of the proposals for the status quo scenario will nevertheless prove useful.

(2) The 'Change' Scenario. Vertical and horizontal relationships

The changing-status-quo scenario also has two parts: looking at the vertical (MS-EU) and at the horizontal (EU-EU) relationships. The degree of change in the vertical relationship will decide the sustainability of the Inter-parliamentary Conference solution of spring 2013 and the European Parliament's involvement in EMU governance. Indeed, if there were a clear integration advance of the Euro Member States' fiscal and economic policy-making in the coming years, in the direction of a fiscal union, perhaps with an EU minister of finances the vertical dilemma could be solved. The need would increase for a compensating shift of parliamentary control from the national to the EU level.

The European Parliament has submitted demands for such changes to the vertical relationship to the European Spring Council of June 2013. It has especially insisted that any further initiative for a deepened EMU must be established in accordance with the Community method and that the European Parliament cannot accept any further extension of inter-governmental policy-making in the EMU regime[1].

Indeed, the report finds that Member State governments appear to be keen to undertake perhaps substantial further integration advances, moving therefore in the direction demanded by the European Parliament. But they plan to do so in holding onto the inter-governmental path. The vertical dilemma will persist as a consequence after all.

As a result, in seeing the much-desired EMU governance advance, it is likely that the European Parliament, will continue to lack a solid legal basis upon which to rest its demands as well as the appropriate counterparts vis-à-vis which to exert parliamentary control over the implementation of the European Semester.

Looking also at the horizontal relationship, the report does not foresee a rapid enlargement of the Eurozone in the short-medium term. The submission to a growing program of Euro-related 'hard' disciplines, incentives and sanctions will probably remain largely limited to the restricted group of Member States in this zone.

The horizontal dilemma would not only persist; it would grow even more severe.

Therefore, in fact, this 'Change'-scenario leaves the dilemmas that shaped the compromises under the preceding 'Status-quo'-scenario completely in place. In consequence, these compromises also have a good chance of remaining in place, with one important exception resulting from the further aggravation of the horizontal dilemma: the European Parliament's claim to decide about EMU- and Euro-affairs with all members would lose even more of its legitimacy.

For a European Parliament holding onto its role, the creation of a European Parliament Committee for Eurozone affairs, restricted to MEPs from Euro Member States, would become unavoidable. Again, the conclusion of a formal and solemn agreement about the (evolutionary!)

[1] European Parliament resolution of 12 June 2013 on strengthening European democracy in the future EMU (2013/2672(RSP)), indents nos.3 and 4

division of tasks between the European Parliament and national parliaments is an absolute prerequisite for this type of strategy.
Alternatively, the EP might have to countenance the creation of some new Eurozone parliamentary institution with a dominant voice for national members (as opposed to MEPs).
The report mentions the French-inspired Euro-commission intended for the planned Inter-parliamentary Conference which could perhaps serve as a platform for this new institution.
Alternatively, Member States could be tempted to create a whole new Euro-Assembly - an obviously more threatening option for the European Parliament.

The Reformed EMU Governance and the Weakening of Parliaments

The European Semester: The New Coordination Challenge

The reformed coordination system is centred around the European semester, this seven-month-period and its autumn-supplement of each year intended to aid and motivate Member States – especially those of the Euro group – to comply with the rules they have set themselves for their respective budgetary and economic policy and laid down in a small number of red lines which should not be overstepped.

In this period, over a number of strictly-scheduled steps, EU institutions and Member States are obliged to implement a complex and ever-increasing bundle of different coordination regimes with different scopes and degrees of commitment.

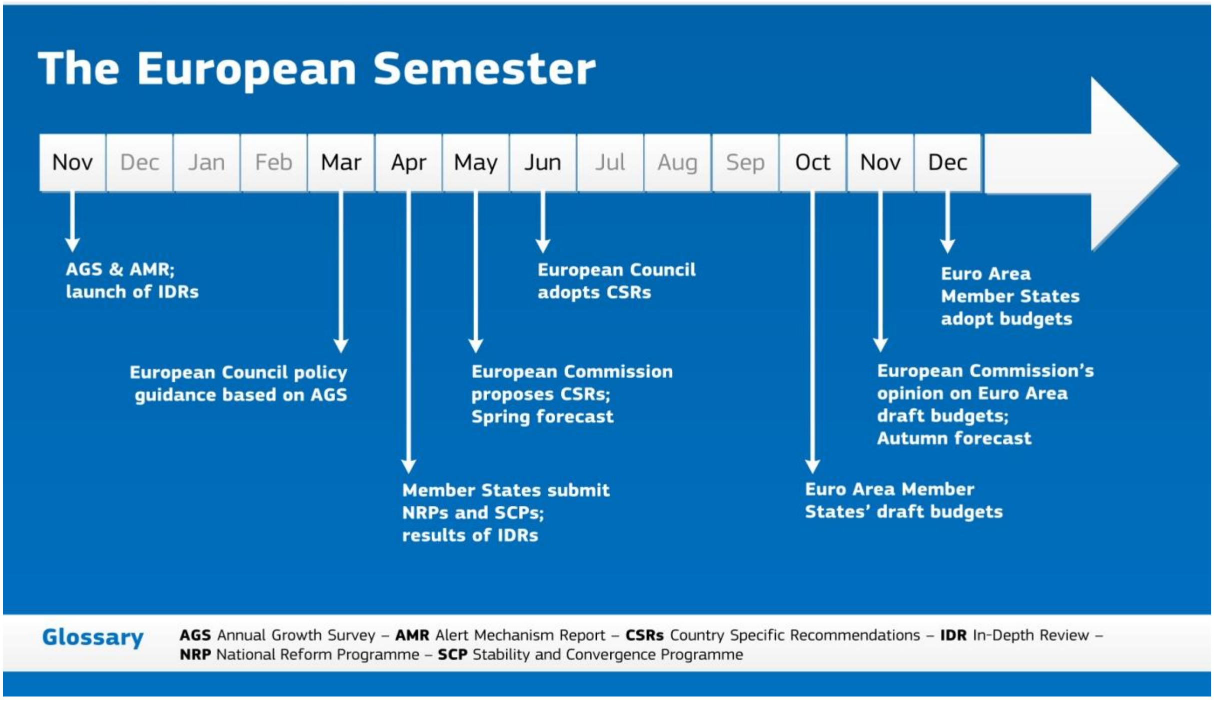
Institutions

The European Semester involves both levels of the EU,the Union and the Member States, and it involves all respective institutions: the Commission, the Council of the EU, the European Council, the European Parliament, the Court of Justice and the Member States with their governments and parliaments. The most important legal instruments which underpin this new departure of EMU governance are the so-called Six-pack, Two-pack, and Fiscal Pact[2].

New institutions at national level are supposed to enter, especially independent bodies for national-level budgetary surveillance of governments.

[2] Six-pack Legislation of the EU (5 Regulations nos. 1173 – 1177/2011, 1 Directive no.2011/85), in: Official Journal of the European Union, L 306, Vol.54, 23.11.2011; Two Pack (Regulation (EU) No 473/2013 of the European Parliament and of the Council, of 21 May 2013, on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the Euro area - Official Journal L 140 , 27/05/2013 P. 0011 – 0023; and, Regulation (EU) No 472/2013 of the European Parliament and of the Council, of 21 May 2013, on the strengthening of economic and budgetary surveillance of Member States in the Euro area experiencing or threatened with serious difficulties with respect to their financial stability, Official Journal L 140 , 27/05/2013 P. 0001 - 0010), both in force since May 30 2013. Cf. also the implementation rules of the Council in http://www.parlament.gv.at/PAKT/EU/XXIV/EU/12/05/EU_120514/imfname_10410250.pdf; plus the so-called Fiscal Pact of 31.January 2012: Treaty on stability, coordination and governance in the economic and monetary union.

Process



From European Commission, Memo/13/318 "Beyond the Six-pack and Two-pack: Economic governance explained", 10.04.2013

These actors have to play their parts at predetermined moments within a process that implements simultaneously and coherently the very different instruments of coordination for the seventeen Member States of the Eurozone, and in a less far-reaching and binding form for the EU's remaining ten Member States.

The process lasts from November of the preceding year to July of the following year every year! It begins with the Commission's Annual Growth Survey AGS in November, endorsed by the European Council in the following March, where it has Member States react with National Reform Programs NRPs and Stability and Convergence Programs SCPs in April. It ends with the European Council's endorsement of the guidance documents for Member States in the course of June before Member States start to draft their budgets which are supposed to heed the obligations under the Stability and Growth Pact SGP and preceding Commission and Council guidance.

The autumn cycle laid out in the Two-pack begins after Member States have formulated their draft budgets for the first time in mid-October 2013. The Commission then examines and gives an opinion on each national draft budget as to its compliance by the end of November at the latest. In the case of "severe" non-compliance, the Member State will be asked to change its budget plan. Budgets are then supposed to be adopted by the end of the year.

This process visibly moves away from the pre-2010 governance model when Member States' governments autonomously adapted to requirements which they had previously set together at the EU institutions' level, especially the red line of budgetary policy set by the public deficit limit, and replaced it with a process of active coordination between the Commission as principal coordinator and the concerned Member States.

Scope

Already by spring 2012 this process combined elements of the binding Stability and Growth Pact obligations contained in the Six-pack and to be taken up by the Stability Programs, with the non-binding Europe 2020 (agreed framework of priorities for smart, sustainable and inclusive

growth) integrated guidelines to be taken up for instance in the National Reform Programs. In the course of 2012 the SGP dimension of the European semester was enriched by those new elements of the Six-pack which concerned the macroeconomic imbalances procedure.
Compared to the 'old' SGP the reformed pact reaches far beyond the deficit criterion and for the first time also strengthens the debt criterion in the preventive and the corrective part of the SGP.
In 2013/14 the European Semester is to be further added to by integrating treaty obligations out of the Fiscal Compact TSCG and the Two-Pack legislation. The Two-Pack contains what was referred to as an 'autumn-cycle' to the European Semester. An additional effort of ex ante coordination of plans for major economic policy reforms, and a convergence mechanism putting an instrument of contractual arrangements at Member States' disposal to undertake specific reforms for economic convergence and competitiveness, buttressed by financial support to help Member States implement these reforms, is to be integrated into the European Semester in the near future.[3]
The new regime's scope is not only widened by bringing these additional conditions and injunctions to bear upon Member States, but also by the still further widened latitude of discretion which Commission and Council, but especially the former, enjoy in applying the new rules.[4]

Turning now to the effects of the new "EMU"-regime change on the vertical relationship between EU institutions and Member States

Does the evolving EMU-regime change the relationship between EU institutions and Member States (MS)?
Before starting to answer this question, the specific Janus-faced institutional role of the Member States in the EU's institutional set-up must be understood.
On the one hand, they are 27 self-interested national actors who feed their individual and specific interests and preferences into the EU opinion-building and decision-making process and try to make them prevail. After decisions have been taken, it is the Member States again who will individually implement most of them, again in introducing their own preferences. In this sense, their relationship to the European Parliament is a vertical one, between the national and the EU institutional level.
On the other hand, assembled in the Council of the EU and in the European Council, they constitute one of the two principal agenda-setting and legislative institutions of the EU, the 'state-chamber', alongside the European Parliament, the citizens' chamber. And alongside the Commission, the new executive power center par excellence at EMU level, the European Council and the Euro summit also constitute principal executive institutions for many EMU policies. In this sense, their relationship to the European Parliament is a horizontal one, between the EU-level institutions. Therefore the change of relationship between EU-institutions and Member States affects governments which *collectively* and at EU-level gain power vis-à-vis themselves in their *individual* domestic perspective.
This Janus-head becomes evident, for instance, when deciding about Excessive Deficit issues during the EMU's European Semester, with the Council supposed to act as an executive institution together with the Commission. It is nevertheless –at certain points in the procedure– considered more an assembly of self-interested Member States. In consequence, in the interest

[3] COM (2013) 166 final. Communication from the Commission to the European Parliament and the Council. Towards a Deep and Genuine Economic and Monetary Union. Ex ante coordination of plans for major economic policy reforms; COM (2013) 165 final. Communication from the Commission to the European Parliament and the Council. Towards a Deep and Genuine Economic and Monetary Union. The introduction of a Convergence and Competitiveness Instrument
[4] Cf. for instance in Regulation (EU) (Six-pack) No 1175/2011, amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, 16.11.2011

of an effective application of the reformed SGP, the Commission has been drastically strengthened by the introduction of (among other innovations) the Reverse Qualified Majority Vote, the RQMV, so as to enable its views and proposals to prevail even upon a majority of Council members.
The Commission can propose sanctions against a Member State that does not comply with recommendations addressed to it by the Council in the preventive or the corrective phase of the SGP.[5] The new RQMV legislation enhances the power of these proposals enormously: instead of needing an explicit validation by the Council with a qualified majority to pass, they will become valid if the Council does not expressly refuse or change them by a two thirds majority. This is a dramatic weakening of the Council, even though it retains the right to open the way to this procedure by declaring a Member State to be in breach of its legal obligation under the Semester before the Commission can submit its proposal.
On the other hand, and seen from the European Parliament at the horizontal level perspective, the Council is an important institutional adversary, an executive-dominated institution which monopolises executive and quasi-legislative roles in EMU governance, thereby seriously reducing the legislative role of the Parliament.
Returning to the question about a regime change in the relationship between EU institutions and Member States, it will now be addressed in more detail by looking at the *preventive* phase as well as at the *corrective* one of the SGP process.[6]

Preventive phase

The process visibly moves away from a pre-2010 model, in which Member States' governments adapted to a small number of jointly-determined permanent public deficit and debt criteria in following their own autonomously decided strategy, and where the annual dialogue between Member States-government and Commission/Council about the Member States' advance toward the MTO remained a very soft and non-consequential affair.
The pre-condition to this autonomy was that the Member State stayed within the margins set by the stability criteria; only then was it permitted to choose its own method of compliance. Only when a Member State breached these limits did its peers become more urgent and intrusive, but even then it retained much latitude to avert sanctions of any kind. In the post-2013 model this is to change. The autonomy of method is being reduced from different angles, for instance:

- By the inclusion of an obligation of debt reduction into the reformed SGP.[7] This was not considered to be an effective obligation in the pre-2010 SGP, insofar the reversal widens the scope of the reformed SGP considerably, and all the more due to the fact that most of the old EU Member States have a public debt larger than the 60% permitted by the debt criterion.[8] If these Member States fail to reduce the gap between their debt and the 60% reference by 1/20th annually (on average over three years, and taking relevant factors and the economic cycle into account), an EDP may be launched against them even if their deficit remains below 3% of GDP. Once in EDP, corrective action has to be taken.

[5] Cf. f.i. Regulation (EU)1173/2011 of 16.11.2011, Art. 3, 4, 5.
[6] {EU, 2011`, 12.12. #81} Contains a very useful overview of new governance elements.
[7] Regulation (EU) (Six-pack) No 1175/2011, amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, 16.11.2011, Art. 5
[8] EUROSTAT, 2013, 23 January, Third quarter of 2012 compared with second quarter of 2012 Euro area and EU27 government debt nearly stable at 90.0% and 85.1% of GDP respectively in: E. N. Euroindicators, ed., 12-2013 (Luxemburg). Below the debt limit were only the Central Eastern MS Bulgaria, 3 Baltic MS, Poland, Romania, Slovenia, Slovakia und Czech Republic, of the old MS only Denmark, Luxemburg, Finland and Sweden remained below the 60%.

- By the new expenditure benchmark of the pact set out for each Member State simultaneously by defining its medium term budgetary objective (MTO) and serving as guidance for its public expenditure planning and execution. Under the reformed SGP, the MTO and expenditure benchmark are already supposed to enter into the annual budgetary planning of the respective Member State in autumn.
- By the explicit effort of the EU level to take direct influence on Member States' *methods* of compliance by explicit and active coordination. After having provided guidance in the summer, the Commission and Council do not want to wait for the adoption and execution of a Member States' budget any longer, before –ex post– they can evaluate the effects in the context of the MTO process one or two years later. They want to influence – ex ante – the manner in which their guidance is taken up by the Member States' draft budgets in the autumn. This is especially marked in the new autumn extension of the European Semester resulting from the Two-pack[9] under which the Member State now has to submit its draft budget to an examination by the Commission (together with the opinion of an independent expert body). The Commission may come back to the government and demand modifications of the budget draft before it is voted if it considers the draft to be too far away from guidance.

Obviously, governments and EU institutions have learned that waiting for general government deficit data before acting vis-à-vis a non-complying Member State may lead to disaster and much reduce the chances of preventing mounting excessive deficits of a Member State to lead to market defiance with regards to its public debt. The concentration on public deficits would risk seriously impairing their understanding of upcoming crises and of the appropriate treatment. In particular, leaving debt out of the stricter forms of preventive and corrective action would blind them to a decisive vector of Member States' fiscal sustainability.

The Council Directive (no.2011/85/EU) of November 8, 2011

So the new rules of the reformed SGP already tighten the obligations which Member States assume vis-à-vis each other concerning the balancing of their public accounts. Focusing even closer now on the demands made on Member States by the new coordination regime, it is nevertheless instructive because it also opens the eyes to the full measure of the reduction of national parliaments' competences. The most concentrated set of stipulations in this sense is contained in the last piece of the Six-pack legislation: a Council directive on requirements for the budgetary frameworks of the Member States.[10]

This is a directive for good reason: the Treaty still places fiscal and economic policies in Member States' competence coordinated by the Union, in some parts by very far-reaching means, and mentioning that "specific provisions shall apply to those Member States whose currency is the euro", the whole according to arrangements which the Union may provide.[11]

Five of the Six-pack legal texts are regulations. They concern certain fiscal and macro-economic threshold values to be respected by individual Member States, and certain acts of communication and coordination to be carried out by Member States vis-à-vis the Commission and the Council –submitting stability and convergence programs, for instance, or reacting to remarks

[9] European Commission, 2013, 12.03., 'Two-pack' completes budgetary surveillance cycle for euro area and further improves economic governance, in: European Commission Memo /13/196, p.4

[10] Cf. Council directive No.2011/85/EU of November 8, 2011 "Fiscal frameworks" in the words of the Commission encompass the whole set of arrangements, procedures, rules and institutions that underlie the conduct of budgetary policies of general government.

[11] EU, 2010, 30.03., Consolidated Version of the Treaty on the Functioning of the European Union, in: Official Journal of the European Union C 83/47, Art.5

made to them– the observance of which they consider legally binding and the non-observance of which is considered to put the common objectives of the EMU at risk. Non-observance entails corrective action by the Commission and Council which can ratchet up to the level of financial fines.
Unlike the regulations, the directive in question turns to the domestic toolbox with which the threshold values are to be attained within Member States. This is a domain which the Treaty's economic-fiscal policy clauses do not open up to direct EU legislation. Setting only certain institutional and accounting standards to attain in order to make Member States more apt to fulfill the threshold values but leaving Member States to adapt their internal structures to these standards appears the appropriate strategy.
At the same time, the differentiation between regulation and directive highlights the remaining limits of the new governance's scope. Member States are supposed to transpose this directive until 31 December 2013.[12]
Box: Main points demanded from Member States, in directive 2011/85, each of which to be verified by the Commission, and author's comments

1. systems of budgetary accounting and statistical reporting have to be in place;
2. rules and procedures governing the preparation of forecasts for budgetary planning. Author's Comment: The European Semester is an exercise which turns around forecasts and numerous past exercises of national stability programming and Commission reactions demonstrate that when assessments differ, this is very often due to differing forecasts of economic growth, of public revenue or of expenditure development.[13] The Commission openly refers to "track records" of given Member States, which merit mistrust vis-à-vis their forecasts. But forecasts can also in good faith be produced with different methods and give different results. Concerning these methods, the directive makes a very justified effort to reduce the potential of divergence;
3. Member State governments are to refer themselves explicitly to Commission forecasts and have to explain deviations;
4. the Commission is to communicate to them the methodologies, assumptions and relevant parameters that underpin its own macroeconomic and budgetary forecasts, elements which may serve as common norms;
5. country-specific numerical fiscal rules, which contribute to the consistency of Member States' conduct of fiscal policy with their respective obligations under the TFEU, expressed in terms of a summary indicator of budgetary performance, such as the government budget deficit, borrowing, debt, or a major component thereof;
6. budgetary procedures comprising procedural rules have to be in place to underpin the budget process at all stages;
7. medium-term budgetary frameworks are required as a specific set of national budgetary procedures that extend the horizon for fiscal policy-making beyond the annual budgetary calendar, including the setting of policy priorities and of medium- term budgetary objectives;
8. arrangements for independent monitoring and analysis, to enhance the transparency of elements of the budget process;
9. Member States are to confirm or create independent bodies or bodies endowed with functional autonomy vis-à-vis the fiscal authorities of the Member States, which ensure effective and timely monitoring of compliance with the rules, based on their own reliable and independent analysis; cf. TSCG art.3;
10. if numerical fiscal rules contain escape clauses, such clauses shall set out a limited number of specific circumstances consistent with the Member States' obligations deriving from the TFEU in the area of budgetary policy, and stringent procedures in which temporary non-compliance with the rule is permitted;
11. mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government.

[12] One year before, in December 2012 the transposition had clearly begun, but was still incomplete in important areas, cf. EU Commission, Interim Progress Report on the implementation of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, in: Occasional Papers No. 128 (Brussels)2013, February,{EUCOMM, 2013`, February #87}
13 Cf. for instance the Commission's recommendation for a Council Opinion of 22 April 2010 on the updated Stability Programmes (SP) 2009-2013, of Germany, France and Italy. Cited in: {DEUBNER, 2011 #46} P.64f.

Corrective Phase

Also in the corrective phase, this vertical relationship changes to the advantage of the EU institutions and to the disadvantage of the Member States. The central element of this phase is the Excessive Deficit Procedure, EDP, with its different steps and graduations.
The most significant change concerns the Reverse Qualified Majority Voting procedure (RQMV). RQMV legislation enormously enhances the power of the Commission in this phase: its proposals become valid if the Council does not expressly refuse or change them by a two thirds majority (see page 10), introduced by the reform of the SGP, which can henceforth be used, in a clearly circumscribed manner, to decide about sanctions against Member States that breach the rules. The precondition for this is, evidently, that the Commission would risk a proposal against a simple majority of Council members …
This sectorally circumscribed upgrading of the Commission's power is even further extended by the TSCG. Its signatories promise that at each stage of the EDP "euro-area Member States" will support the Commission's proposals or recommendations in the Council, if a "Euro-area Member State" is in breach of the deficit criterion, unless a qualified majority is against it. In this case the TSCG extends a kind of RQMV to all stages of the EDP, even if not stipulated by the Six-pack.[14]

The Weakening of National Parliaments

If Euro summit and Euro group decision-making and the Commission's enormously increased power of budgetary and economic policy agenda setting and surveillance did not take anything away from the other EU institutions or the Member States, they certainly reduced the respective national parliaments' budgetary and economic policy power, arrogating a share of that to themselves.

National parliaments lose power at the domestic level of national policy making:

National parliaments no longer share the power of deciding on public budgets, not only with the national government, but also with external EMU governance actors, which are much more intrusive than before 2012 but inaccessible to their voice and vote. The Commission, the Council and the Euro Summit engage parliaments' direct adversaries, the governments, in a constraining dialogue over Annual Growth Surveys, Stability and Convergence Programs, and National Reform Programs plus Alert Mechanism Reports and Country Specific Recommendations, and even over the national draft budgets[15]. In addition, the European Council has dramatically increased its own operational role in EMU governance at key steps of the European Semester and in other aspects. Catching up with and controlling this novel EU-level executive role of national chiefs of government and state, in addition to the control of governments' traditional legislative role in the Council of ministers, this also poses new challenges.[16]
These developments not only narrow the scope of budgetary and economic options among which the government may choose in drafting the policy proposals which it submits to

[14] Cf. Art. 7, first sentence, of the TSCG
[15] All of these contained in the Six-pack and the Two-pack
[16] WESSELS, Wolfgang and ROZENBERG, Olivier, et al, Democratic Control in the Member States of the European Council and the Euro zone summits, Study commissioned by the European Parliament, Directorate general for internal policies, IP/C/AFCO/IC/2012-012 – PE XXX.YYY EN; cf. also the very useful abbreviated version by HEFFTLER, C., KREILINGER,V., ROZENBERG, O., WESSELS, W., National Parliaments: Their Emerging Control over the European Council, in: Policy Paper 89, March 2013, Paris: Notre Europe Jacques Delors Institute

parliament, and which the parliament has to heed when negotiating this draft with the government and in deciding on its own position.
They also force parliament and government, via the clocked steps of the European Semester and the added internal steps imposed by the TSCG, into a more highly-charged budgetary and economic policy-making rhythm. This can reduce parliaments' traditional national spaces of debate and negotiation and disavow established national procedures.
Finally, by bringing additional national actors into play they further constrain parliamentary (and governmental) choices, especially the independent bodies which supervise the budgetary process and examine its compatibility with the EU's guidance documents, as well as with the MTO and the deficit and debt criteria set by the SGP.
Provided that government, and parliament, want to comply with the Treaty. **And National Parliaments lose power directly vis-à-vis the EU**
This is true in any case, both for the scenario with Member State governments holding on to an executive-dominated governance, and for one of a more fully Europeanised governance.
Member State governments holding on to an executive-dominated governance mode in Brussels and exercising their national competences jointly in Brussels councils: this new collective executive composed of the governments, or even only of the Members of the European Council or the Euro summit, cannot be controlled by the European Parliament in the same manner as the 'old' European executive, the Commission. Neither are its members accountable to national parliaments any more in their collective executive activity at EU level. The European Parliament will in that scenario not be able to compensate the national parliaments' loss of control.

The European Parliament: The absence of Compensation at EU Level

This diminution is not sufficiently compensated for at the EU level.
Different from the national parliaments, the European Parliament does not lose any of its powers in consequence of the EMU governance reforms. It did not have any votes and only had limited information and debating rights in the pre-2011 regime. Could it compensate, in the following reforms, any of the national parliaments' power losses at the EU level?

The ambivalent role of the European Parliament.

One tends to forget that the key legislation initiating this diminution of parliamentary influence at the national level were the far-flung revisions of the secondary legislation known as the Stability and Growth Pact, contained in the so-called Six-pack (agreed in 2011) and Two-pack (in force since 30 May 2013). In the legislative process from winter 2010 to autumn 2011, the European Parliament was fully involved with its co-decision power, it contributed substantially to the EU level debate about the content of both the Six- and the Two-pack, and it could and did influence the resulting texts in the sense of rather more intrusiveness and coordination scope than even the Commission had foreseen in its proposals.[17]
The European Parliament therefore exercised high and effective parliamentary influence on the content of this ambitious and central pillar of new EMU legislation. But whereas it consequently helped increase the pressure of the EMU governance regime upon national governments and parliaments, the European Parliament's efforts were much more modest[18] concerning the

[17] Cf. the EP's own revised versions of the Commission's proposals, for instance for the regulation 1175/2011, adopted on 28.09.2011, http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P7-TA-2011-0291+0+DOC+PDF+V0//EN
[18] This assessment is based upon an analysis of the EP's first readings of, and amendments adopted to, the Commission's proposals for the Six- and for the Two-pack Legislation, and of the results of the Six-pack. This assessment seems also to be shared by WESSELS, Wolfgang and ROZENBERG, Olivier, et al, Democratic Control in the Member States of the European Council and the Euro zone summits,

improvement of its own participation in the application of this new regime, together with the European Commission, the Councils and the European Central Bank.
What one finds in all eight (Six-pack plus Two-pack) first reading amendments, for instance, is the European Parliament's proposal demanding that "strengthening economic governance should include a closer and more timely involvement of the European Parliament and the national parliaments", but without much further qualification. This standard formula has been introduced into all of the regulation texts.
In addition, there are the demands that in the so-called economic dialogue between the EU institutions, the competent committee of the European Parliament may invite the President of the Council, the Commission and, where appropriate, the President of the Euro group, to appear before the committee to discuss decisions. Again and in consequence, the economic dialogue clause has been introduced in each regulation.
All of these competences provide very tangibly increased and institutionalised rights of information and debate and eo ipso of parliamentary control instruments for the EP (with a very substantial share for its Committee on Economic and Monetary Affairs), over the implementation of the reformed EMU governance by Commission and Council. But they stop short of a parliamentary share in decision-making in this field, and they do not include the exclusive powers of the Eurozone.[19]
Andreas Maurer concludes that "From a democratic point of view, the existing imbalance of EMU - coined by a fully supra-nationalized Monetary Union against a purely intergovernmental Economic [coordinating] Union - is characterized by its executive dominance at the expense of the European Parliament and, consequently by a procedural segmentation and institutional atomization of political accountability in EU member states. Under EMU, the European Council, the Council of Ministers - let alone the Euro group - face no democratically elected institutions that are equipped with control or co-decision powers similar to those of the European Parliament in areas such as the internal market or justice and home affairs.
"Within the treaty based requirements of EMU, the European Parliament can rely on the ordinary legislative procedure (OLP) only under Article 121(6) TFEU on the procedural aspects of the multilateral surveillance procedures, Article 129(3) TFEU, for amending certain provisions of the European System of Central Banks (E) SCB and the European Central Bank (ECB) Statute, and Article 133 TFEU regarding the currency law.
"In all other EMU areas, however, the European Parliament's rights are limited to simple consultation or information. Moreover, whenever treaty provisions deal with the exclusive powers of the Euro zone, the European Parliament is neither consulted nor informed".[20]
In consequence, and in spite of the tangible improvements compared to the pre-2011 situation, the EP has not succeeded to arrogate to itself, at EU level, economic and budgetary policy control rights which could compensate for the power losses of national parliaments.
The imbalance between parliamentary power loss at national level and the non-appearance of compensating gain at the EU level, until 2013, is therefore at least part of the European Parliament's own making, a result of its duality and sometimes mismatch between being an ambitious advocate for more and deeper integration, on the one hand, and on the other hand, a defender of parliament's rights to control and influence executive action in implementing these integration-advances.

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[19] HALLERBERG et al explicitly highlight these new competences of the European Parliament only to come to a similarly unenthusiastic assessment in the end, p.46 ff.

[20] MAURER, Andreas, From EMU to DEMU: The Democratic Legitimacy of the EU and the European Parliament. *IAI WORKING PAPERS* , 2013, 13 | 11, p. 5f.. In the Commission's responsible general directorate, officials already express their apprehension vis-à-vis conceding the EP a new intervention right in the Semester which might possibly bring an additional slowdown of the process.

It is true that the roles of the EU institutions and the division of powers among them, including the quasi-absence of the European Parliament during the application of the European Semester, were themselves based on Maastricht Treaty Articles which fixed the roles of the institutions in the first place. But it is also true that the Treaty and its judicious application permit going beyond these fixations to create new institutional relations[21]. The European Parliament could probably have tried harder and a lot more than it actually did during the years 2011 and 2012.

The Counterparts of the European Parliament at the EU level

The parliamentary role of the European Parliament is put into practice vis-à-vis the Council of the EU, the Council of Ministers, the European Council, and the European Commission, at the EU level. It is their executive and legislative activity which the European Parliament controls, influences and takes part in, in different ways. With the dramatic build-up of their competences in the context of the reformed EMU governance, these institutions create strong pressure on the European Parliament to 'follow' and to develop its own reactions to the new challenges. This is not to say that the EP itself has not for a number of years already reflected upon a deeper economic and fiscal integration as many documents of its Ecofin Committee prove. But the initiatives for the start and for the institutional form of the new regime since the year 2008 have clearly come from the Member States.

The institutional form of this regime has also created the dilemmas in the vertical and the horizontal relationships of the EU's political actors, which render the European Parliament's role especially difficult for the present and medium-term future. The Report will address specific institutional issues of the EP's counterparts and the resulting challenges and dilemmas for the EP in more depth in the third chapter. But a few remarks about the general relationship between the European Parliament and its counterpart institutions are already in order at this point. The new study of Andreas MAURER on **Parliaments** in the EU[22] has been an important source of basic information for many of the following remarks.

The principal task of the European Parliament has become its participation in legislation as a more or less equal co-legislator together with the ***Council of Ministers***. Therefore, in general, the more the EU legislates in a given policy field, the larger and the more powerful the role of the Parliament is in this field as well. Weaker forms of parliamentary influence on policy can be exercised by consultation and debate in executive dominated policy making fields, like, for instance, EMU governance – the report will turn to this question.

A second highly important task for Parliament vis-à-vis the Council, this time the European Council, is the cooperation in recruiting high EU officials, and first of all the members of the European Commission. Since the Amsterdam Treaty, the Parliament can already "elect" the person whom the governments propose for Commission president[23]. In a second step come the parliamentary hearings of the other Commission members and the vote on parliamentary acceptance of the Commission altogether.

Evidently, it is not only the European Parliament's sharing of power with and control of the European Council which is at issue here. At the same time, this direct involvement in the recruitment of the European Commission constitutes one of Parliament's power sources vis-à-vis the European Commission. Combined with the European Parliament's right to force the resignation of the Commission by a vote of no confidence, Parliament holds a powerful instrument to enforce respect and consideration from the Commission on the many fronts of their institutional cooperation.

[21] Cf. for instance MAURER-KIETZ, The European Parliament in Treaty Reform: Predefining IGCs through Interinstitutional Agreements, EIF WP 20/2006, http://eif.univie.ac.at/workingpapers-en/2005-2007.php#j2005

[22] MAURER, Andreas, Parlamente in der EU, Vienna 2012

[23] This is the wording of the Lisbon Treaty TEU Art.17(7), cf. alineas (6) and (8) for the following points

In this recruitment participation lurks another important issue, even more directly seated in the relationship between the Parliament and the ***Commission*** itself. For years, the European Parliament and its observers have speculated about the possibility of the Parliament using its recruitment privilege to "elect" a Commission president[24] who represents the political orientation of the parliamentary majority. The Lisbon Treaty (TEU) gives an explicit endorsement to this with its Article 17(7) and (8). In 2014, when the next EP election is due to be followed shortly after by the nomination of a new Commission, the moment may well arrive when the European Council proposes a candidate to the Commission presidency, chosen for his or her endorsement by the EP's majority party or parties.

A more partisan political orientation of the Commission would not yet become a certainty, but certainly a more realistic perspective. Member States could still nominate candidates of other political colour for the rest of the Commission so as to achieve a multiparty and quasi 'neutral' college. But once "elected" by the EP, the president holds strong powers of organisation and competence attribution to the other Members of the Commission and must agree to their nomination by the governments. Member State governments would also be faced by a Parliament which has the right to form a political opinion about these candidates and communicate it to the new Commission president-elect, and the majority of which might want to give 'it's' Commission president a political majority in the college of commissioners.

This perspective can rightly be considered one of possibly increasing parliamentary control over the Commission as well, and eo ipso over the Commission's vast powers in EMU governance, even without giving the EP new formal intervention powers in governance implementation.

But there may be a price to pay: the Commission is traditionally highly respected for its autonomy, impartiality, efficiency and professionalism. Autonomy and impartiality are interdependent in a Union of largely sovereign Member States. Over the years of the crisis, the predominance of the –larger - Member States in devising and imposing crisis solutions which the Commission has to implement has already somewhat tarnished this important reputational asset of the Commission. This happens in a time when governments themselves, for the smooth implementation of the new governance, are in great need of an institution which retains the highest possible reputation. After all, there are good reasons to think that voters appreciate no other factor of democratic government, not even the evidence of partisan affiliation or sympathy with the governing majority, as much as just this: The impartiality, efficiency and professionalism of their public administration.[25]

Considering that the European Parliament would now once again increase its pressure upon the Commission which already feels constrained from the Member States[26] is not a fully reassuring prospect as it risks impairing the Commission's unique reputational assets even further. Some of the Commission's high officials already see it now, in 2013, at the limits of its capacities, as it faces the ever-increasing ambitious and demanding new tasks it is charged with in EMU governance. Initial detailed research in the manner the Commission carries out its new tasks points to weaknesses to be corrected, and to suspicions of compromising with the Council where it should be demonstrating its own clear position.[27]

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[24] MAURER 2012, p.116. On the importance of this issue see also HIX, Simon, The Political System of the European Union, 2nd ed., Houndmills Basingstoke 2005, pp.204-205

[25] DAHLBERG, Stefan and HOLMBERG, Sören, Understanding Satisfaction with the Way Democracy Works: Democracy versus Bureaucracy, Department of Political Science, University of Gothenburg, Working Paper 2012:8, August 2012.

[26] MAURER 2012, p.123, even speaks of an increasing stranglehold 'Umklammerung' of the Commission not only by Parliament, but also by the Member States and the European Council. Indeed this slow but inexorable re-balancing of powers between Brussels institutions, taking place at the expense of the Commission, has been noted by many observers in recent years.

[27] Cf. the critical debate of the Commission's approach to key elements of EMU governance, by HALLERBERG et al 2012, p.46 and 50 ff.

If a larger politicisation of the Commission occurs after the 2014 election, the European Parliament may celebrate this as an advance of democracy and parliamentary rule in the EU. But if the Commission's legitimacy as an efficient and impartial EMU executive was questioned, this might also prevent the EP from reaping the fruits of this development. The challenges from Member States suffering prolonged unemployment and income cuts already explicitly target the Commission's social and economic choices and perceived partiality. But up to mid-2013 their justification is weak and they lack allies. In the future, many governments – those which will be of another political orientation than the EP-majority – could point to a perceived increasing partiality of the Commission's EMU governance decisions regarding themselves to justify a less compliant behaviour.

A tendency towards an even more inter-governmentalised and possibly fragmented EMU governance, together with more non-compliance vis-à-vis the Commission's injunctions, could be the Member States' answer, reducing not the legal but the de-facto power of the Commission.

One strategy could promise an exit out of this problem: the rapid advance toward a Fiscal Union for the whole EU, taking its decisions by the Community method and by the ordinary legislative procedure as much as possible, together with a substantial enlargement of the EU budget. This perspective will be discussed in Chapter IV of this report.

Compared to the 2013-situation, a politicised Commission, supported by 'its' majority in parliament, would have more legitimacy to implement this kind of EMU governance, with less possibilities and less motivation, of Member States to obstruct.

On the other hand, if the implementation of EMU governance remains an affair of Member States' democratic institutions to take and implement, and to finance all the tough national decisions which are necessary for EMU to function, and to legitimate these decisions vis-à-vis their own voters, then an increased inter-governmentalisation and possibly fragmentation of the EMU regime could well be the answer to a more politicised Commission, at least from a substantial number of the Member States.

One of the important questions of the following report will therefore be the perspectives of the EMU governance in the coming years.

Result

Therefore in summary, EMU governance reform has brought a substantial reduction of parliamentary influence in the Member States' economic and fiscal policies. It has affected national parliaments most of all.

For the European Parliament, there is no comparable loss of competences which the EP possessed already. It is more a withholding of new competences which the EP wants to gain because it thinks that they concern a crucially important field of future EU policy from which it cannot afford to remain absent, insofar it might be considered a relative loss in relation to the other EU institutions which are vested with new EMU competences, i.e. the European Commission.

This relative loss may well have a chance to be compensated in a certain measure in 2014 when the parliamentary majority gains the power to decide about the next president of the Commission.

Is this Weakening of Parliamentary Influence a Problem for Democracy, or for the European Semester?

No, if one considers public opinion about democratic rule and the place of parliaments as the yardstick

Many experts and certain practitioners attest a "crisis of democracy" to the EU and especially to the EMU, a crisis thought to have enormously augmented since the onset of the financial and economic crisis in 2008. One important indicator of this is, for instance, the opinion of EU citizens about the way democracy works. Indeed, in September 2012, the Eurobarometer found for the very first time that a majority of European citizens were unsatisfied with the way democracy works.[28]

This result might sound like a general indictment of European democracy. It is not. In fact, the important information is not contained in this general result, but in the differences over time and between the Member States. We only include the Euro-Member States in this short summary.

Over time: Before 2008, ratios had still been slightly positive, with people declaring themselves more satisfied than dissatisfied with democracy in the EU. But since then, satisfaction has very markedly decreased and dissatisfaction mounted. This is true for peoples' views on their national democracies, even though positive ratios had been smaller there from the outset, and it is true for 'the way European democracy works', where satisfaction levels were grosso modo comparable whereas dissatisfaction increased more dramatically since 2008. Here, dissatisfaction had already surpassed satisfaction by spring 2012, whereas this happened only in autumn at the national level.[29]

Between Member States: Even more interesting are the differences between Member States. Here, in general, a large majority of people in Northern and Western Europe are satisfied with the working of their national democracy: in 7 of the 17 Euro-Member States, from Luxemburg and Finland with 84 and 78% of respondents, down to France and Belgium with 60 and 57%, including Germany with 70%. Dissatisfaction, on the other hand, prevails in large majorities of 8 Southern and Eastern European countries, with 89 and 74% in Greece and Portugal, ranging to Cyprus and Estonia with 66 and 60%. Disaffection grew particularly strongly over 2012 in Belgium and France, Cyprus and Estonia. The attitudes are different vis-a-vis 'the way European democracy works'. For European democracy, the appreciation remains more positive – even where it is in minority – than concerning national democracies, especially in that very group where the support of the latter is particularly weak: Greece 20/11%, (exception of Portugal 23/25%), Spain 35/32%, Italy 36/27%, Cyprus 39/33%, Slovakia 41/29%.

With the geographical distribution established, two intrinsic criteria remain for the concerned Member States which correlate well with the public opinion vis-à-vis 'European democracy', one concerning the socio-economic situation of the respondents, and the other the institutional strengths of the national parliaments.

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28 EUROPEAN COMMISSION, EUROBAROMETER, Public Opinion in the European Union, Report. Standard Eurobarometer 78, Autumn 2012, p.52 ff.

29 The two questions asked were: On the whole, are you … satisfied with the way democracy works in (OUR COUNTRY)? And how about the way democracy works in the EU? The second question is very open. It might be understood to refer to every other Member State except the respondent's home country, plus the EU institutions, or it might be understood to refer only to the EU institutions.

The socio-economic criterion tells a familiar story: the younger, the better educated and the better off respondents are, the more positively they judge the working of democracy, at home and in the EU in general. The older, the less qualified and the poorer they are, the more negative the view they take (Eurobarometer pp.53 and 55). These criteria work also across national boundaries and they are also valid for measuring peoples' reactions to changing economic and social circumstances over time (Eurobarometer p.81). For instance, 53% of Greek respondents found that the expression "democratic" characterised the European Union well in autumn 2010; two years later, in autumn 2012, only 32% remained of that opinion. In Italy the ratio fell from 76 to 54% in the same time span. In this specific survey on the image of the Union, it is striking that perception-ratios for the term "democratic" co-vary very reliably with those for the term "protective". i.e., once the Union is not perceived as protective any more, people no longer see it as democratic either.

A recent commentary in the Spanish newspaper EL PERIÓDICO DE CATALUNYA (08.04.2013) clarifies this understanding of democracy very nicely: "The Euro-crisis reveals that democracy hardly counts in the EU's economic policy-making. It was only Portugal's constitutional court which stopped the austerity measures forced upon the country from outside. The foreign lenders impose outright austerity dictates upon the countries of Southern Europe. National governments have to implement these guidelines regardless of their election programs".

The *institutional* criterion correlates quite well with the *working-of-national-democracy* one. In fact, the respondents with the most positive judgements on their national democracy originate in the Euro Member States with the institutionally strongest parliaments (cf. further down, with the exception of France), which in their turn, happen to be those with the best economic growth and personal income data.

The result of these first simple correlations is thus two-sided:

The good news: On the one hand, the positive or negative appreciation of democracy by people correlated well with the effective relative strength or weakness of their Member States' respective national parliamentary democracies.

The bad news: On the other hand, this national rating, in preserving relative plausibility, co-varies over time positively – and strongly – with the national economic and social developments. National democracy is rated not only according to the democratic forms of its input, but also very strongly for the quality of its material output. The national ratings of EU democracy co-vary also, but not so much with European, as with national economic and social developments. The EU democracy was rated for its supposed willingness or ability to fulfill the economic and social expectations of the respective national population, and to protect it from sinking incomes and unemployment.

Coming back to the question at the beginning of this chapter, i.e. whether an input-determined variable, the weakening of parliamentary influence on politics in Member States in consequence of the strengthened EMU governance, created a problem for the legitimacy of these politics and made them appear less democratic:

The answer is negative. While all Euro-Member States experienced this weakening, the decrease of legitimacy was marked only in those among them where unemployment and sinking incomes were especially widespread.

This fits well with recent results of DAHLBERG and HOLMBERG[30], who compared the influence of different factors on the satisfaction of survey respondents with the way democracy works. For the respondents, the important variables of input legitimation by democratic procedures did not count as much as two specific output-variables, i.e. economic well-being, and even more the efficiency, professionalism and impartiality of the respective national administration. The first chapter of this report has already shown that at EU level the European Commission has

[30] DAHLBERG, Stefan and HOLMBERG, Sören, Understanding Satisfaction with the Way Democracy Works: Democracy versus Bureaucracy, Department of Political Science, University of Gothenburg, Working Paper 2012:8, August 2012.

successfully built its reputation around these perceived qualities, perhaps one of the causes for the relatively favourable appreciation of the EU's 'democratic system'.
A result which we can take from here is that the legitimating force of strong democratic institutions and procedures, the stability of so-called input legitimacy, is a reality, but is unreliable. When one needs it most, for instance when output-related legitimation factors cannot function because of unemployment and economic distress as is the case within the Eurozone since 2009, then it would appear to falter in its turn. This is an important point. HALLERBERG et al 2012, p.33-35, in raising the issue of the different concepts of legitimacy concerning EU policy, also insist on the importance of input legitimacy at this time of socio-economic distress and when policy output cannot be demonstrated in short term welfare terms. But they do not seem to take the full measure of this discouraging empirical evidence into consideration. Put differently: strengthening the parliamentary component of the EU's and its Member States' policy-making institutions could give only very little added value in terms of overall legitimacy of EMU governance. We will return to these results further down.

No, if only seen in relation to an efficient clockwise execution of the European Semester, it can even be considered to be an advantage.

Judging the role of national parliaments in the European Semester is therefore not a straightforward undertaking. To ensure that the European Semester functions well, all national parliaments need to function without too much noise, 'in lockstep' with national governments, to take the necessary policy decisions at national level at the right moments. In this sense, and only this, how one judges national parliaments' role depends on the degree of compliance-willingness of the respective MS government:

- If the government is compliance-willing, then the national parliament could either be compliance-willing as well, and then it wouldn't matter whether it is a strong or a weak institutional actor, or the national parliament could be compliance-averse and then it would need to be a weak institutional actor, unable to impose its budgetary preferences against the government.
- Or if the government is compliance-averse, then the national parliament would need to be compliance-willing and a strong institutional actor, able to impose its preferences.
- In no case would one want a national parliament which is compliance-averse and a strong institutional actor.

In consequence, for the European Semester to function well necessitates national parliaments which should first of all be institutionally weak. Provided they are, then things will pass more harmoniously if they are also compliance-willing, but they need not be at any cost. Only in certain cases national parliaments might need to be strong institutional actors, but then they need to be compliance-willing.

Yes, because of more fundamental considerations

Longer-term ownership and stabilisation of EMU governance nationally and EU-wide.

If we add a second criterion, namely the medium-to-longer-range legitimacy of EMU governance application within the Member States, then in fact a strong institutional role and compliance-willingness of national parliaments become highly important.
It is true that a number of good arguments can be made in favour of the current situation in EMU, and within the Eurozone, i.e. that institutionally weak parliaments (in the sense of weak input legitimacy) preferably with pro-EMU stance, can be helpful for an uninterrupted advance

of the European semester. For a certain time. Reasoning with DAHLBERG and HOLMBERG, ‘good’ output could then confirm the democratic legitimacy of an efficient and impartial bureaucracy, i.e. the European Commission, and by extension, the intergovernmental EU regime within which it works and it could do so even when national democratic input legitimacy is impaired.

But it is also true that a public perception of prolonged output failure by the EMU regime, leading to unemployment and income cuts, provokes public loss of faith in the efficiency/effectiveness of the responsible Commission and the councils. In the worst-off Member States this loss of legitimacy will also hit the national democratic systems. This tipping over of opinion leads to outrage and social unrest which in turn strongly and directly challenges the institutional mainstays of output legitimacy, the responsible governments, and at EU level, the Commission.

In the absence of a credible parliament at the national level, social unrest will play out in the streets and in direct and occasionally violent confrontation with the governments, with potentially incalculable outcomes. Re-strengthening the parliaments of these Member States, and ipso facto the input legitimacy of national EMU policies, could bring part of those conflicts back into rule-bound parliamentary procedures. It could stabilise those situations and make them more predictable, even if elections had produced euro-skeptical parliamentary majorities.

The Commission, enormously strengthened in its competences by the EMU reform and traditional pillar of the EU’s output legitimacy, may quickly find its ability curbed to implement these competences fully vis-à-vis the Member States, if its legitimacy as an efficient and impartial EMU executive were questioned. The challenges from Member States’ suffering prolonged unemployment and income cuts already explicitly target the Commission’s social and economic judgment and its impartiality. But up to mid-2013 they have no powerful allies among the larger Member States.

That can change, and the Commission would facilitate possible attack if it actually permitted an impression of partiality, of ineffectiveness and insufficient expertise to spread about the way it plays its role in the EMU regime.[31]

For the Commission as well, a good dose of input legitimacy by strengthening the European Parliament in the EMU regime could be a valuable support. Only, different from the national situation, there are two dilemmas, vertical and horizontal, which is likely to prevent the European Parliament from playing this role.

As we established earlier, the positive or negative appreciation of democracy by people correlated well with the effective relative strength or weakness of their Member States’ parliamentary institutions.

Only Member States with institutionally strong national parliaments with a proven ability to influence national budgetary and economic policy in the European context thus enjoy a high democracy rating, and only these parliaments can credibly legitimise their governments’ national EMU policies, especially when these policies demand sacrifices in public employment and social policies.

This is what Jacob KIRKEGAARD recently asserted with other words in an Economist Debate[32] referring to Germany’s role during the crisis: “Indeed, this very process in Germany—where the (..Constitutional Court..) and the Bundestag itself have insisted on a decisive role for the elected representatives in the German parliament—has delivered a broad-based cross-party 80+% support in the Bundestag for all euro area measures taken to date. There is consequently no political risk that "Germany gets second thoughts" during its current election campaign, and the new anti-euro AfD party is unlikely to even make it into parliament in September.”

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[31] Cf. emerging criticism of the Commission’s approach to key elements of EMU governance, by HALLERBERG et al 2012, p.46 and 50 ff.

[32] Germany’s role in Europe: Has Europe suffered from a lack of German leadership during the euro crisis? Economist Debate 21.06.2013 (Sony KAPOOR and Jacob KIRKEGAARD et al)

Result

Between the two, the short-range compatibility of national parliaments' involvement with the European Semester and the medium-to-longer-range legitimacy of EMU governance application within the Member States, the assessment of national parliaments' role in EMU governance must be made. Even though a number of good arguments can be made in favour of institutionally-weak parliaments, preferably with pro-EMU stance, the preceding debate has shown that a still stronger argument supports, for the medium-to-longer-range, the legitimacy issue and the resulting preference for institutionally strong national parliaments, especially in the budgetary and economic policy field. Provided this national parliament supports compliance, it can be a strong ally of government for short-range unpopular austerity policies.

No doubt that this result is also in line with the interests of incumbent democratic institutions like the national parliaments and their political leaders. The report will show also that the further evolution of EMU governance is likely to generate increasing competition between both national parliaments and the European Parliament about the controlling voice over EMU and the decisive voice and role in it.

At this domestic level, the basic cause of National parliaments' power loss in budgetary and economic policy, caused by the integration into a specific system of EMU-fixed numerical fiscal constraints, cannot be turned around. But parliaments are able to influence their government's degree of compliance, and the nature of its institutional relationship with government can well determine parliament's weight. Evidently, a strong parliament may aid a government - it may even push an opposing executive to comply with the EMU norms - where a weak parliament would resign. This also means supporting the European Semester procedures.

Within this general objective, parliaments can try to preserve or widen their influence on the manner in which remaining fiscal and economic policy space is exploited by government policy. All of this could also be considered to be a welcome strengthening of Member State ownership of EMU governance.

For the European Parliament the potentially positive result of this short analysis does not translate into a realistic perspective of substantially more voice in EMU decision-making. We will come to that in the next chapter.

How to Re-strengthen Parliamentary influence in EMU Governance?

(1) Status Quo

Dilemmas/Difficulties which render this recovery difficult

Every strategy to re-strengthen parliamentary influence in EMU governance must deal with two dilemmas which can be called the vertical and the horizontal dilemma.
Both the European Parliament and MS-parliaments face these two important challenges to their future parliamentary participation within the reformed fiscal-economic governance. Their future status will decisively depend on how the dilemmata themselves evolve, and how the parliaments deal with them, and in doing so, also with each other.

The Vertical Dilemma

The Vertical Dilemma comes up in the 'vertical' relationship between the Member States and the EU-Institutions in Brussels. This dilemma is created by the fact that the reformed EMU governance is an as yet undecided midway structure between a purely inter-state and a community policy. It is the first and most important problem for a re-strengthening of the parliaments' role in EMU governance.
In fact, this dilemma consists of three distinct developments which confront the democratic institutions and challenge their established role and procedures in the evolving EMU:

- the governance reform in itself, on the one hand, reaching far into the Member States' fiscal-economic sovereignty;
- the intergovernmental and executive-dominated implementation of this reform at EU level ;
- and finally, the unfinished status of the reforms and the remaining instability of the institutional status quo!

These developments, and what they mean to the actors, become clearly visible in the following outline of democratic processes and institutions within the evolving EMU structures.
The parliamentary legitimisation of the European Union policies owes its basic structure to the dual legitimacy source of the EU itself: the union of the European citizens represented by the European Parliament and the union of states represented by the Council. In consequence, the democratic legitimation – input-legitimation according to a frequently used classification – of the policies of this EU has to be achieved in both the European Parliament – for the bulk of EU-legislation passing through this European chamber – and in the national parliaments for those executive and legal acts of the EU which the Member State governments can decide on without asking for the assent of the European Parliament.[33]
The appropriation of new competences to the EU often brings these two sources of legitimacy into play in a familiar sequence: Member States first transfer new competences from national level to the joint policy making structures of the EU. At that instance they tend to privilege intergovernmental or at least executive-dominated decision-making where they preserve the maximum of control and minimize EP and/or Commission intervention. This will be facilitated by

[33] The concept of dual legitimacy originates in the analysis of federal states; insofar its application to a study of parliamentary democracy in the EU is equivalent to the expectation that the EU can actually be made to evolve toward a truly federal structure. For a useful presentation see: KIELMANSEGG, Peter Graf, Integration und Demokratie, in: JACHTENFUCHS and KOHLER-KOCH (Ed.) Europäische Integration, Opladen 1996, pp.48-71, esp. p.59; cf. also MAURER, more explicitly turned to the issue of this report, in: From EMU to DEMU, p.4

the EU's competence hierarchy: Recently Europeanised policies being new; often no EU exclusive or shared competence field will already be in place into which they can be fitted. But it is only these EU exclusive or shared competence fields which are constitutionally subject to the community decision-making method which includes the ordinary legislative procedure, or OLP, with a strong co-decision role for the European Parliament. Voluntarily, Member States could still and nevertheless change over to OLP with these new policies, but they prefer not to.

It is only after having made their experiences, over a certain lapse of time, that Member State governments may feel motivated to transfer the policy in question into a competence field subject to the 'community method' which will give their full constitutional powers to the Commission and the European Parliament, or to extend the OLP to this policy.

During this lapse, national parliaments will *separately* have to contribute all, or the largest part of democratic legitimisation, for the positions jointly taken by their respective governments at the EU level, and jointly for the EU policy outcome. But given that national parliaments actually are not supposed to or equipped to serve as the EU's state chamber, this is a tenuous link. It has broken in the majority of EU policy fields where the Council of ministers has applied majority voting for many years.

In consequence, national parliaments already have lost substantial power in this specific policy field, with the European Parliament being kept aside by the governments. This policy's overall parliamentary control and legitimisation will move into a kind of 'trough'.

The challenge of EMU governance reform

As to the newly reformed governance of EMU, this is exactly what has happened. A basically inter-governmental architecture and institutional power distribution for the EMU was already fixed in Maastricht in 1992, and during the crisis years since 2008 it was not revised but rather confirmed and strengthened. In consequence, these policy fields have formally remained in the Member States' competence since 1999 and up until today.

Quite visibly, the Member States still refuse to cede these fields to the EU in a definite manner by a Treaty change which would transfer the whole EMU policy matter into the domain of shared competences or even of the exclusive competence of the EU.

They therefore belong to a domain in which the treaty concedes the EU only a power of 'co-ordination'.[34]

That said, and different from other important intergovernmentally-organised EU policy fields, EMU treaty law authorises the European Parliament to exercise full parliamentary influence in today's, and tomorrow's!, governance reforms. The Stability and Growth Pact precedent of 1997 and the treaty permitted (TFEU Art.121(6)) fixing the method of this co-ordination by the ordinary legislative procedure with full participation of the Commission and the European Parliament. The report has already underlined in Chapter I that this concerned, and still concerns, the cornerstones of this reform, i.e. the Six-pack and the Two-pack. In addition, this reform has quasi constitutional scope, having shifted the power balance between Member States and the Union, and rendering the European Parliament's share in it all the more extraordinary.

But the implementation of this reformed governance, vis-à-vis the Member States and horizontally among the EU institutions, takes place in a contradictory manner typical for the EMU-structures already since their commencement in 1999:

On the one hand, the coordination method is highly constraining and functions within the community system and in fully-utilising its key institutions and procedures, including the principles of supranationality and of a key role of the Commission[35].

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[34] TFEU, Art. 121(1)

[35] With the Commission exercising more than before 2010, but still not fully, the prerogatives of the Community Method (monopoly of initiative and precedence of its 'proposals' during the legislative

On the other hand, since 1999 EMU governance has already been functioning in an "inter-governmental" manner, and has, since the full entry of the European Council into EMU governance in Lisbon in the year 2000, become even more so.[36] In addition, the European Council still needs consensus to be able to issue its usual 'statements' or 'recommendations', or other ways of expressing its agreement on a given policy line, for the most difficult and contentious issues.[37] The implementation of these agreements takes place by formal majority decision-making in the Ecofin-Council. Clearly, governments have up to now refused to give up control and to subject this application fully to the Community Method and particularly to the ordinary legislative procedure.

The most striking symbol of the new structures is the construction of the new Euro Summit. It highlights Euro Member States' executive preponderance. It brings together their chief executive officials, with crucial executive decision-making power at specific steps of the European Semester (not to mention other important powers). They are insofar an executive neither accountable to the European Parliament (like for instance the Commission), nor indeed to the individual national parliaments of their Member States of origin.[38] The Euro Summit also highlights the differentiation between Euro-ins and -outs in EMU governance. We will come back to this when analysing the 'Horizontal' dilemma.

Attaining more parliamentarisation of the governance implementation might be very difficult indeed, at the European Parliament level, but also at that of the national parliaments.

The European Parliament

This EMU governance reform has had strong influence on the relations with the first of the European Parliament's two institutional counterparts, i.e. the Councils. The intergovernmental character of the European Semester, carried out by the European Commission together with the Councils, leaves no place for legislation, the principal working link between the European Parliament and the Council of Ministers and also the most important task of the European Parliament.

In consequence, it is difficult to define the proper level and method at which and with which a strengthened parliamentary influence could be brought to bear. The vertical dilemma actually prevents the European Parliament from taking over the largest part of that parliamentary control of national budgetary and fiscal policy which national parliaments lose.

The fiscal and economic policy decisions taken in consequence of European Semester guidance remain national (largely their effects as well) and the governments and their policy remain accountable to national parliaments and a national electorate. Nobody should be astonished that national parliaments want to retain some control at the EU level over the budgetary and economic policy demands which they will be exposed to.

In spite of these reserves and difficulties, leading members of the European Parliament try their best to involve the EP as widely as possible and with its strongest competences in the EMU governance. Their position appears motivated by two concerns.

Firstly, that Economic and Monetary Union is a crucial and indispensable element of the EU's necessary advance towards a genuine Union. For this, EMU needs to be fully integrated into the

negotiations of the Council). For example the Council decision of a MS to be in excessive deficit occurs on a 'recommendation' of the Commission in the Treaty of Amsterdam TEC, Art.104(6), whereas the Treaty of Lisbon, TFEU, gives the Commission the right to 'propose' this decision, Art.126(6). Removing the excessive deficit status, on the other hand, still only requires a 'recommendation' from the Commission, TFEU, Art.126(13).

[36] Cf. DEUBNER, Christian, Währungsunion ohne Politische Union?, SWP-Studie S8, Berlin 2001, p.63ff.

[37] Cf. http://eurozone.europa.eu/summits/policy-guidance/, last accessed on 15.05.2013

[38] Cf. WESSELS, Wolfgang, et al, National Parliaments: Their Emerging Control over the European Council, Policy paper no.89, 27.03.2013, of Notre Europe Jacques Delors Institute together with TEPSA, which sums up the results of a larger project for the European Parliament

European Community system and this again requires the European Parliament to be fully involved in accordance with Community procedures. For the European Parliament as an institution, this is essential if it is to remain a central actor of EU politics.

The EP's institutional affairs specialists also think that the so-called vertical dilemma does in reality not stand up to close examination because the EMU co-ordination is co-ordination only by name, and de facto resembles shared policy-making between Member States and the Union, for instance because of the sanctions, and that therefore the Council will be unable to keep the European Parliament away from parliamentary participation in this sector. This participation is consequently what the European Parliament should work for.

As long as this objective is not attainable and the EP has to settle for less than complete parliamentary control, then which parts of the EU-level governance measures carried out by the Council and the Commission could or should fall under this control and co-decision of the European Parliament, and which ones cannot or should not be assumed by it? Before entering into this attribution of policy topics to the EP, another more technical issue must at least briefly be addressed: How would the EP's intervention, for example an endorsement of some type of guidance for Member States or other instruments of controlling specific elements of the extensive executive decision-making at Council-Commission level, take place? Looking around for legal principles, and precedents, four points come to mind:

Firstly, the EP defends a principle of equity between itself and the Council, based on the idea of the necessary double legitimacy of EU decisions. Where the Council has a voice, the European Parliament should have one as well.

Secondly, the EP's vote should weigh as much as that of the Council, i.e. if the vote of the Council can block a decision, the EP should in principle be able to do as much.

Thirdly, imperative grounds of urgency – in our case resulting from a tight timetable of interdependent executive acts – can in exceptional cases override legal-institutional considerations.

As for a precedent for the European Parliament to join in the implementation of EU legal acts, there might be one in which the three just mentioned principles are also duly taken into consideration, i.e. the EP's participation in Comitology.[39]

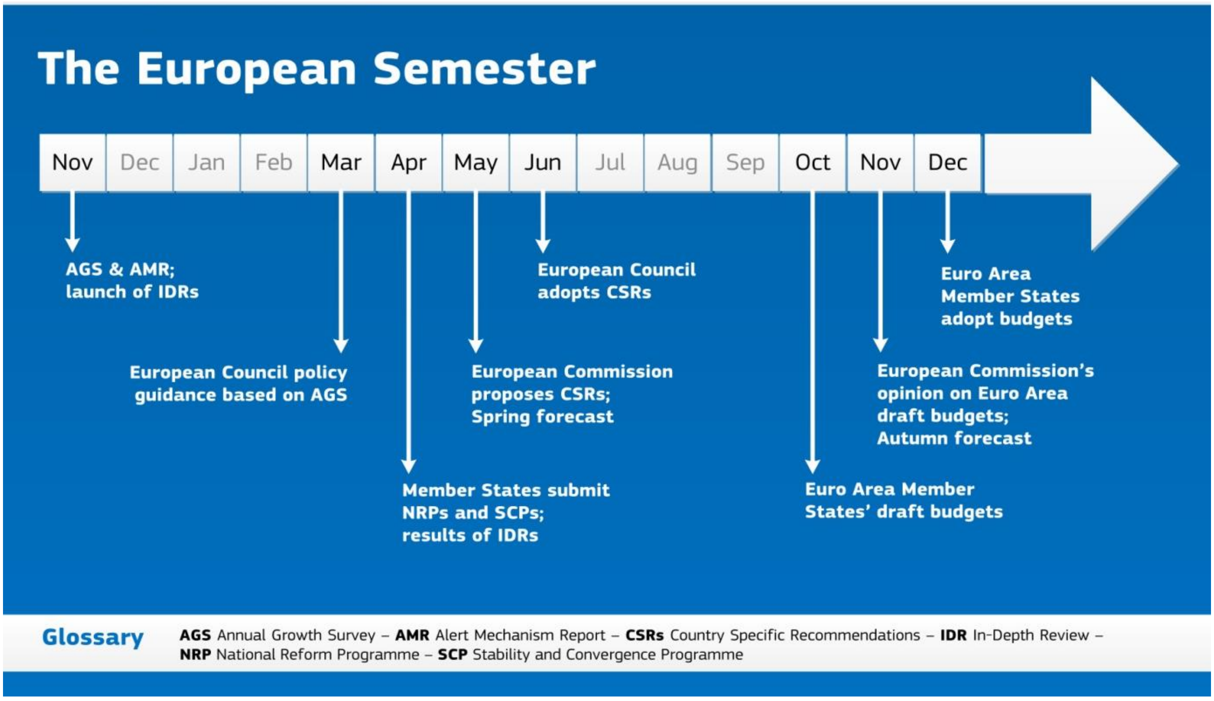
For measures of legislative quality if and where the European Parliament is barred from OLP, it could push for a case-by-case introduction of the ordinary legislative procedure.

Taking these remarks as the starting point, the report might now enter into a technical discussion about the options of the form of an EP intervention into the implementation of the European Semester Enter. This cannot be done due to the limits set to this mission. Some ad hoc points at least will nevertheless be made in looking at the policy topics which should fall under EP's control and co-decision.

Returning now to the policy topics of the European Semester, the same question must be asked: are there any legal principles or precedents which can help in identifying those topics in which explicit interventions of the European Parliament would be feasible?

We can start by looking at the timetable of the European Semester itself, with the main types of governance decisions taken over the course of the Semester and the differences between them:

[39] Cf. The latest adaptation of the Comitology legislation in the Council Decision 2006/512/EC of 17 July 2006 amending Decision 1999/468/EC laying down the procedures for the exercise of implementing powers conferred on the Commission



From European Commission, Memo/13/318 "Beyond the Six-pack and Two-pack: Economic governance explained", 10.04.2013

The most important differences seem to be:
- between the decisions taken by the Commission (submission of AGR and AMR, CSR-proposals, opinions on draft budget, autumn forecast) and those of the Councils (Guidance based on AGS, adoption of CSR)
- and between the decisions concerning the EMU or the Eurozone altogether (AGR, AMR and autumn forecasts) and those which only concern individual Member States (NRP, SCP, CSR, opinions on draft budget).

In addition, we can refer ourselves to a statement of principle, coming from 'the Speakers of Parliament of the Founding Member States of the European Union and the European Parliament in Luxemburg' on the occasion of their meeting on January 11, 2013, (point 7 of their working paper). It insists that "binding (parliamentary) decisions could only be taken at the responsible level", i.e. that the responsibility for democratic legitimisation of political decision-making must be left with those actors whose central task this is today: parliaments at national level and the European Parliament. This principle is also detectable in many other national parliaments' statements on the tasks of the 'Inter-Parliamentary Conference' proposed by Art.13 of the TSCG (to be discussed in more detail further down).

In addition, Six-pack, Two-pack and Fiscal Pact contain important sequences of preventive as well as corrective executive acts, and demands for the adaptations of national legislations and institutions, so that a systematic effort to identify options where the EP could control their implementation should be undertaken. Again, for this report, the mission does not cover this type of effort.

The report will therefore limit itself to taking the earlier highlighted elements as point of departure for a very provisional result, i.e. that the choice of topics for EP intervention might follow these rules:
- identify the decisions which concern the EMU or the Eurozone altogether, because for the others the 'responsible level' is the national one;

- choose the moment in time after or even before the Commission proposal, and before the moment that the Council or the European Council adopts or endorses that proposal.
- This leaves AGS, AMR and autumn forecasts as topics for a first catalogue of the EP's parliamentary intervention.
- The European Parliament would want to come in on the first two in early spring, after submission by the Commission, and at a time before the European Council forms its guidance based on the AGS. These three topics also have the advantage that the aspect of urgency is, if not absent, at least not of the same pressing quality as it is with for instance the CSRs. A blocking option for the Parliament, vis-à-vis the endorsement by the European Council, should be discussed.
- An initial necessity for the Parliament to prepare to enter into this kind of exchange would be to acquire independent expertise on the EU's annual growth prospects. Efforts in this direction are under way: The S&D Group in the European Parliament report has commissioned a first 'Alternative Annual Growth Survey' for 2012, prepared by three major centre-left oriented economic institutes: the OFCE (Paris); the IMK (Düsseldorf) and the ECLM (Copenhagen).[40]

The European Parliament needs to find – together with the national parliaments – a convincing medium-term modus of dividing the competences for EMU governance tasks and for their parliamentary control more transparently and clearly between the national and the EP level. Only then will it be able to gain parliamentary control over at least a part of current EMU governance.
Finally, the instruments to help advance the parliament's objectives vis-à-vis Council and Commission, without an IGC changing the Treaty:
The first in the EP's toolbox is its powerful role in the so-called 'ordinary legislation procedure', OLP, insofar it is applied to EMU governance. The negotiations over the 'Two-pack' project demonstrated the Parliament's attempt to create a stronger role for itself in its implementation than it tried to do for the Six-pack.
Insofar Council and Commission have created executive powers for themselves outside the legislative procedure, the European Parliament might turn to the so-called *Interinstitutional agreements* to be attained by a meanwhile well-established strategy in which the European Parliament can obtain parliamentary rights vis-à-vis the Council and the Commission, for instance, in cases where the Treaty has not provided it to them: The European Parliament makes "strategic use of its original bargaining powers vis-à-vis Member State governments … (its right to oust and appoint the Commission; its extensive budgetary rights including the right to reject the budget and most recently the possibility to delay and even reject legislation in the framework of the co-decision procedure) in order to cajole both institutions into the Agreements."[41]
But compared to a treaty fundament, this is a much inferior instrument. It demands an uphill struggle of the European Parliament, forced to assemble and preserve the necessary majority against the Council and to press its cases in sometimes long-drawn out inter-institutional conflicts.

[40] Cf. http://www.iags-project.org/project.htm, last consulted 08.07.2013
[41] Cf. MAURER-KIETZ, The European Parliament in Treaty Reform: Predefining IGCs through Interinstitutional Agreements, EIF WP 20/2006, http://eif.univie.ac.at/workingpapers-en/2005-2007.php#j2005,p.6; for the instrument of interinstitutional agreements see also: http://europa.eu/legislation_summaries/institutional_affairs/decisionmaking_process/ai0035_en.htm

National Parliaments

When trying to assess the resulting changes for parliaments, we should look at two aspects which recent research has already examined:

How 'strong' were national parliaments in European affairs, how was this strength distributed among the 27 MS National parliaments before 2009, and what/how much did they lose?

And how 'strong' were national parliaments in budgetary and economic policy affairs, and again how was this strength distributed, especially among the 17 Euro-Member States before 2009, and what/how much did they lose? The European Parliament has financed a number of interesting studies on this topic, which this report utilises, especially those by HALLERBERG et al, and by WESSELS et al.

National parliaments in European affairs

At the moment of the EMU governance reform, national parliaments were already starting to reap the fruits of a twenty year struggle to re-gain parliamentary influence over the policy fields which had been transferred under the authority of common EU-level decision-making.[42] They had been considered the great losers of European integration. But since the Treaty of Maastricht, they started to strengthen their control and influence over their governments' respective contributions to European policy making, with very respectable but also very divergent results, depending on the Member States.

Parliamentary reactions to the EMU governance reform build on these older achievements of parliamentary empowerment vis-à-vis EU policy. They build on largely improved access to information about EU policy initiatives and their respective governments' reactions on the evolving parliamentary structures for dealing with governmental EU policy, such as European affairs committees, and parliamentary privileges like, for instance, the scrutiny reserve, and on a measure of mandating power vis-à-vis government.

In brief, a recent assessment of the Member States of the Euro group according to these criteria sees a hierarchy in which five parliaments enjoy co-policy-making powers: in Germany, Austria, the Netherlands, Finland and Estonia, whereas others have at least a right to prolong the mandatory national decision-making process required before government can take position in council like France. The rest do not aspire to any constraining influence on governmental positions; even so, they still achieve an active, well-informed companionship in monitoring and critically commenting and debating governmental policies. This is true of Italy, Belgium, Luxemburg, Ireland, Spain, Portugal or Greece.[43]

When turning the attention to national parliaments' role vis-à-vis the new powerful interlocutor confronting them in EMU politics, i.e. the European Councils (ECs) and Euro Summits, an issue which was already briefly addressed at the end of Chapter I, the project of Wolfgang WESSELS and Olivier ROZENBERG, et al[44] gives crucial additional information. From the Lisbon European Council of the year 2000, and with a dramatic acceleration from 2008 onwards, the Heads of State and government appropriated initiating and guidance functions

42 MAURER,A., Nationale Parlamente, p. 168f., cf. also WESSELS, Wolfgang and ROZENBERG, Olivier, et al, Democratic Control, p.19

43 MAURER,A., Nationale Parlamente, p.195, citing from NORTON, Philip, Conclusion: Addressing the Democratic Deficit, in: Journal of Legislative Studies, Vol.1, Nr.3, S.177-193. Cf. especially for the German Bundestag also BEICHELT, Timm and CALLIESS, Christian, Auf dem Weg zum Europäisierten Bundestag: Vom Zuschauer zum Akteur?, Bertelsmann-Stiftung, 2013

44 WESSELS, Wolfgang and ROZENBERG, Olivier, et al, Democratic Control in the Member States of the European Council and the Euro zone summits, Study commissioned by the European Parliament, Directorate general for internal policies, IP/C/AFCO/IC/2012-012 – PE XXX.YYY EN; cf. also the very useful abbreviated version by HEFFTLER, C., KREILINGER,V., ROZENBERG, O., WESSELS, W., National Parliaments: Their Emerging Control over the European Council, in: Policy Paper 89, March 2013, Paris: Notre Europe Jacques Delors Institute

out of the decision-making domain before reserved to the Ecofin ministerial council and the Euro group.

- WESSELS et al find that ECs are especially difficult to control for national parliaments, first of all because the EC as a European institution is not accountable to them, and the Councils as such are protected by secrecy and rarely disseminate preparatory documents. And their activity concentrating on initiating and guidance functions, albeit with mandatory character, vis-a-vis Commission and ministerial Council, has also escaped the traditional parliamentary procedures for controlling EU legislation. National parliaments can therefore only strive for control over their respective head of government, and particularly their executive decisions at the EU level.
- But WESSELS et al also identify two developments which favour a re-strengthening of national parliaments on this front. Firstly, the fact that heads of government and their policies are more in the focus of the media and the parliaments than the economics or even finance ministers. And secondly, that the saliency of the EMU policy topic has enormously increased during the financial and economic crisis. Both together apparently motivate parliaments to increase their own involvement and to make larger efforts to control their prime ministers' EMU activities.
- Here, as in the aforementioned more general parliamentary capacities of EMU governance control, large differences exist between the Member States of the Eurozone. There are those that are more concentrated on an active EU policy-shaping approach, those that rather hold the government to account in plenary debate after the summits, and those that privilege critical expert debate at committee level, or continue to concentrate on EU legislation. Nevertheless, a common trend can be identified in many national approaches to European Councils or Euro Summits, made up of an increasing willingness of prime ministers to get involved with their parliaments, of an increasing importance of parliamentary ex-ante control of prime ministers, of higher media attention to the respective parliamentary activities, of a greater involvement of European affairs committees, and all that in a greater regularity.
- As elsewhere, there is a group of Member States where this common trend is especially marked. MAURER's group of the five policy-making parliaments, partly identical to the six 'strong' parliaments, mentioned by HALLERBERG et al further down, belongs to those which are very active in plenary and in committee debates before summits, where ex-ante influence is searched, and the parliaments of Belgium, Finland and Germany also strive for ex-post control. And the seven 'weak' parliaments are normally grouped among those which also show little activity for any summit meeting control. With some encouraging exceptions: Estonia, Portugal, Slovakia, France or Italy are strong on one or the other of the different categories.

National parliaments in EMU budgetary and economic policy affairs

HALLERBERG et al have made an interesting effort to measure parliaments' strength in a comparative manner for almost all Member States[45]. I only refer to the Euro-group Member States:

[45] HALLERBERG, Mark, MARZINOTTO, Benedicta, WOLFF,Guntram B., An Assessment of the European Semester, European Parliament's Committee on Economic and Monetary Affairs, IP/A/ECON/ST/2010 - PE 475.121, Brussels, 24 September 2012

- Starting out with looking at whether and to which degree national parliaments and/or committees are at all able to influence their respective state's public budget in an independent manner, i.e. to impose changes on their governments' draft budgets. In fact, in this most general index of parliamentary power on their home turf (in this sense!) national parliaments show the largest differences between each other. There is a group of 6 Member States, the parliaments of which have a very strong position, and an even larger group of 7 Member States with a very weak position. In between, there are 3 intermediary cases. The strong 6 are all situated in Northern Europe, Finland, Austria, Netherlands, Luxemburg, Germany, Belgium, and include one large Member State, Germany. The weak national parliaments are strewn over mainly Southern but also Northern Europe: Spain, France, Estonia, Slovakia, Malta, Italy, Ireland, and include three large and large-medium Member States, France, Italy and Spain, and finally 3 Member States in between, i.e. SIovenia, Portugalt and Cyprus.
- A second criterion is whether and to which degree national parliaments and/or committees engage in multi-annual fiscal planning, given that medium-term budgetary planning is one of the pillars upon which the new EMU coordination strategy is based.
- In fact, national parliaments differ in actual engagement and in weight of this engagement: Regular plenary debates on multi-annual fiscal planning take place in around 10 €-Member States, i.e. more than half, including for example Finland and Germany.
- Only in third position comes an explicitly EMU-related point, i.e. whether national parliaments/and their committees explicitly debate SCPs (or NRPs) which €-Member State governments have to render to the Commission in late spring. In fact, only a third of the national parliaments (Italy, Spain, France, Portugal, Slovakia and Luxemburg) debate SCP in plenary. Germany discusses it only in committee. Hallerberg et al remark on an additional and interesting point regarding this: the plenary debates of SCP take place in €-Member States with institutionally weak parliaments, not with strong ones. The authors suspect that this is to compensate for weaknesses in general budgetary policy.

  In sum, HEFFTLER et al even go so far as to think that parliaments are starting to wake up to European governance and that …. they may eventually "learn to fight back."[46]

It is true that national parliaments have no legal right to timely and direct information about the upcoming issues of EMU governance directly from the Commission or from the Council. This is one more consequence of the fact that coordination in EMU matters is not considered part of the legislative activity of the Union. Only there, the Commission has to inform national parliaments directly and fully about all projects and drafts, consultation documents as well as resolutions of the Council and the European Parliament.[47]
But building on rights already acquired since 1992, many of them do in principle already receive timely transmission of such information from the competent ministry within their government, or they have the means to demand it. If this is not the case, then it is up to national parliaments

[46] HEFFTLER, C., KREILINGER,V., ROZENBERG, O., WESSELS, W., National Parliaments, 2013, p.11
[47] For instance, decisions in the context of multilateral surveillance of economic policy, of surveillance of budgets and of budgetary policy compliance, and of the annual surveillance of the employment situation ahead of the issuance of guidance to the MS in this field. Cf. MAURER, Andreas, Parlamente in der EU, Wien 2012, p.207f.

to pressure for an adaptation of the national rules of procedure between parliament and government.

The problem of divergence between national parliaments

HALLERBERG et al., MAURER or WESSELS/ROZENBERG et al. have already shown how differently the national parliaments are equipped and equip themselves for taking part in EMU governance. Far-reaching as Union rules are, they do leave space for national peculiarities. Take for one more example the ‘independent bodies’ mentioned expressly by Art.3 (2) of the TSCG and demanded by the EU directive mentioned earlier. In *France* and *Germany*, the parliaments have decided to employ already existing and very different official institutions, albeit in more or less modified forms, in *France* based upon the Cour des Comptes, the national board of audit, in *Germany* on a Stability Council composed of representatives of the Federal and of Länder finance ministries, i.e. of the executive plus a few researchers, whereas in *Italy* the Camera wants to create a completely new institution on the model of the US Congressional Budget Office, composed of independent and eminent academic experts, but placed into a relatively close dependence on the Italian parliament’s demands and needs, and bound into a number of formal obligations in the course of the European Semester.[48]

These enormous remaining differences between Member States, of parliaments’ status and roles vis-à-vis the respective governments, together with the heightened stakes involved for the parliaments and the governance process alike, also provoke questions concerning the sufficiency and the comparability of parliaments’ efforts in addressing this divergence. The new EU level governance already makes substantial efforts to reduce the large differences in parliamentary procedures.[49] Still, certain experts fear that the differences may threaten the effectiveness, and still more the legitimacy, of the new governance at the general level of the EMU, and specifically in many Member States. Should it go still further in its efforts?

Opinions diverge on this question. An important and controversial question concerns the definition of a consensual benchmark of a ‘sufficient’ parliamentary procedure.

In a first reaction, national parliaments attempt to improve their national leverage over the EMU-governance positions taken by their own national governments, and thereby to better influence the coordination process to which they are subjected. This process is under way in most of the €-Member States. It takes place as a result of general considerations, sometimes in taking advantage of specific occasions: Especially often the ratification of the TSCG, the ratification of the ESM Treaty, parliamentary resolutions/declarations on the occasion of the Six-pack, etc.

A second type of reaction opts to leave national parliaments to their respective institutional status quo or trajectories of adaptation. Rather, it sees the problem in the continuing fuzziness of competence attribution between the EU and the national level, and prefers to concentrate on

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48 For Germany cf. Gesetz zur innerstaatlichen Umsetzung des Fiskalvertrags, of 31.01.2013, Gesetzentwurf der Bundesregierung, Drucksache 17/10976, 15.01.2013, Art.2, Änderung des Stabilitätsratsgesetzes; for France cf. LOI organique n° 2012-1403 du 17 décembre 2012 relative à la programmation et à la gouvernance des finances publiques (1), JORF n°0294 du 18 décembre 2012 page 19816 texte n° 1, adopté par l’Assemblée le 09.10.2012, par le Sénat le 11.10 2013, chap. II, La création d’un haut conseil …; for Italy LEGGE 24 dicembre 2012, n. 243, Disposizioni per l'attuazione del principio del pareggio di bilancio ai sensi dell'articolo 81, sesto comma, della Costituzione. (13G00014), Capo VII, Organismo indipendente … .

49 Cf. for instance Regulation EU 1175/2011 of EP and Council, Art.3(4) which demands National governments to report in their stability programs on the manner in which their parliaments were involved and whether they had approved the program. Cf. also Art.7, again with the same referral. Both are amendments introduced by the EP. But there is no remark on the possibility that an NP could disapprove. … Cf. also the already mentioned Council directive (no.2011/85/EU of November 8, 2011

improving the unambiguousness and comparability of Member States' (and their national parliaments') competencies in applying EMU governance: advising to clarify the institutional nature of the new structures of coordination, positing them more clearly and unambiguously on the national or on the European side of the borderline between Member States and Brussels institutions and competencies.
This line also receives support from Member State government, and from National parliaments' side[50], with a clear demand for self-responsible compliance of national institutions within their national competence. Influential Members of the European parliament argue in the same sense.

German Bundestag, exception or model?

The Bundestag is a parliament of reference for other national parliaments in their quest for conserving parliamentary power. Most in focus is the Bundestag's power to authorise German contributions to ESM stabilisation programs for Euro Member States. But several judgments of the German Federal Constitutional Court[51] have given it increased power in other topics of EU legislation as well. A very abstract general principle lies at its base and gives it potentially very far-reaching scope: Given the absence of true parliamentary representation of the German people within the EU, the most essential and sensitive subjects of legislation affecting Germany have to be reserved to the German parliament, i.e. the Bundestag. In consequence, the government may not agree to EU legislation in these fields, without explicit prior assent by the Bundestag. There are a few central subjects or topics on which the Court allows no European legislation to change German law at all.
In the control of the German chancellor on the EU summits, the Bundestag appears to be a leader in a strategy which might be called 'policy-making' with the Bundestag not content only with an ex-post control in committee, of the positions taken by the chancellor but – compared to other parliaments – more intent on influencing the chancellor already before in plenary and committee.
Should the German Bundestag become the benchmark for national parliaments? If that was the case, i.e. if most €-Member States' parliaments' roles developed according to the German model, then many experts from Germany and other EU Member States fear that the EMU might become altogether ungovernable. Harmonisation at the horizontal level might in this view create a big problem at the vertical level. In the French Assemblée for instance the Bundestag is seen as a quasi-deciding power in German European politics. Much as this is appreciated for its parliamentary prowess, there are divided opinions on its value. Some French parliamentarians consider it dysfunctional for its potentially destructive influence on EU decision-making: "if every Member State proceeded in this manner, this would prevent any collective and democratic government at the level of the 27".[52]

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50 Cf. For instance the clear demand of M.Sarrazin, MP of the German Bundestag, in a Brussels seminar on March 25, 2013

51 Judgment of June 30, 2009, in: BVerfG, 2 BvE 2/08 vom 30.6.2009, excerpt from the official summary "European unification on the basis of a union of sovereign states under the Treaties may not be realised in such a way that the Member States do not retain sufficient room for the political formation of the economic, cultural and social circumstances of life. This applies in particular to areas which shape the citizens' circumstances of life, ..., which is protected by the fundamental rights". The Court considers the EP not to be a true parliamentary representation of the EU citizens, as Article 9 TEU Lisbon maintains, but rather as a representation of the Member States' peoples. It justifies this view with the unequal representation of citizens in the EP, which varies with their home State. Cf. § 279-288 of the above judgment. Cf. In the same vein CHOPIN, T. and JAMETJ.-F., "The distribution of MEPs seats at the European Parliament between Member States: a democratic and diplomatic issue", in European Issues –Robert Schuman Foundation's policy papers, n°71, 2007

52 For Germany, cf. f.i. BEICHELT CALLIESS 2013, p.23 who mention concern in Germany and elsewhere in the EU; cf. also CARESCHE 2012, p.70, citation of a deputée in the French Assemblée's EU committee, translation by the author.

Others consider it a model not to follow to the letter, but at least far enough to improve the Assemblée's own control over the government's European policy, for instance by auditioning the European or the Finance Minister before every European summit, or more radically by re-gaining the last word on all budgetary affairs for the Assemblée, in following the Germans. They might take inspiration from Jacob KIRKEGAARD's recent assertion that only the "decisive role for the elected representatives in the German parliament—has delivered a broad-based cross-party 80+% support in the Bundestag for all euro area measures taken to date".

National Parliaments versus European Parliament

The undecided midway constitution of the reformed EMU governance has created a vertical dilemma which the national parliaments, with all their divergences, appear to master easier than the European Parliament. True, national parliaments have been weakened in their national roles by EMU governance reform. But many of them build successfully on old or newly acquired competences in these roles to adapt to the new situation and re-strengthen their ability to shape governments' European and EMU policy strategies and thereby re-gain a measure of influence.

In a situation where the European Parliament does not yet have any influence on the application of the new EMU governance, albeit within a legal frame which it has itself helped to shape, this divergent but often successful adaptation of the national parliaments to the new situation changes the relative positions of the two. Within the trend towards an inter-governmental approach in these key EU policies, national parliaments are on the ascendant whereas the European Parliament seems unable to advance in crucial fields. This is not specific only to the EMU policy domain but also typical, as to certain other inter-governmental policy fields within the European Union. But EMU appears a key policy, central to the success of other core EU policies like the Internal Market. Therefore this finding wakes deep concerns inside the European Parliament.

The European Commission

The vertical dilemma is of greatest importance for the Commission's role in EMU as well, as EMU policy is not a true Community policy and in consequence the Commission does not enjoy its usual prerogatives. The Euro Summit, and sometimes also the European Council, exercise a measure of initiative and guidance power vis-à-vis the Commission, and for the implementation and validation of the whole EMU governance that the Commission and the European Parliament are constrained. The predominance of Member States' executive power in this field devalues the EP's controlling power vis-a-vis the Commission without giving it any compensation vis-à-vis the Councils.

The Commission's role, in wielding the new and extremely powerful preventive and corrective instruments vis-à-vis the Member States in the course of the European Semester, should be central for upholding output-legitimacy for EMU governance. But it remains ambivalent, given that it has to play this role within a frame set by the heads/chiefs of state and government of these same Member States. As to the authority and the specificity of the Commission's voice, HALLERBERG et al also make two very pertinent points concerning certain weaknesses of its guidance and recommendation documents, particularly as to the poor quality of their forecasts on national economic growth and as to the absence of cross-country spill-over effects between Eurozone Member States – both of them crucially important legitimating variables for giving preference to a European policy recommendation, over a purely national one.

As to the clarity and autonomy of the Commission's voice, HALLERBERG et al cite "many commentators as well as Members of the European Parliament (MEPs) (…who…) have pointed out that Council policy recommendations in many instances differ from the original recommendations formulated by the Commission. Commentators fear that such deviations may not only be motivated by sound economic arguments but rather be driven by false political compromises that ultimately undermine the effectiveness of the Semester." (Hallerberg et al 2012, p.46) This finding points to a blurring of responsibilities – aside of the possible unsoundness of the policy approach – which again damages the legitimacy of the Commission's economic policy authority over the Member States, and which makes it more difficult to hold institutions to account.

The Horizontal Dilemma

The second problem is the fact that the 17 Euro-Member States constitute only a subgroup – a kind of enhanced co-operation group – of the whole EU, within a total membership of 27 Member States. The gravity of this horizontal dilemma depends on the extent and weight of the governance powers shifted to the EMU level. The larger the power transfer to the Eurozone governance, the larger the dilemma!

The new coordination regime, and especially its principal procedure, the European Semester, presuppose that the EU institutions and the 27 Member States can implement, within one relatively short period and over a number of strictly-clocked steps, a complex and ever-increasing bundle of different coordination regimes with different scopes and degrees of commitment, and that they credibly repeat this feat every year.

For mastering this challenging task, participating Member States need a relatively high degree of similarity. Similarity of their general EMU-orientations, certainly. But above all, similarity as to their mutual degree of involvement into the concrete institutional and political setup of the new regime.

This objective had not yet been attained by spring 2013. 10 of 27 Member States remain outside the Euro Group and there is no certainty about their possible date of entry in the future. This makes a group of '*de-facto enhanced integration'* out of the Euro Group.

All Member States are indeed obliged by the Treaty to enter into the Euro, but in fact not all Member States' governments, and electorates for that matter, actually want to do so. Best known are the Non-Euro Member States UK and Denmark which have an opt-out since 1992, and Sweden which is in breach of the treaty by not doing all it should to fulfill the entry conditions. Certain prospective € - Member States like the Czech Republic do not seem to want full immersion in all aspects of the new regimes. Still others, on the other hand, voluntarily consider themselves "pre-ins" who want to adapt, but with a larger say in shaping the new structures.[53]

The preceding pages on the vertical dilemma showed that it affects national parliaments and the European parliament and hinders a re-strengthening of their role in EMU governance. But even if this dilemma did not exist, or if it disappeared, there is the horizontal dilemma which would still in its turn constitute a powerful barrier against strengthened parliamentary influence in EMU governance.

The reason is that the most far-reaching and specific EMU governance decisions are centred in an executive actors' group placed midway between the level of the Member States and of the Community level, where the respective parliaments' competence is unclear and difficult to establish. The horizontal dilemma mainly affects the European parliament, a parliament competent for policies of/for the *entire* EU, by the fact that this same executive actors' group is only composed of the *Euro Member States'* governments, with the area of applicability limited to the *sole Euro subsystem*. National parliaments come in, in the measure that the European

[53] GOSTYŃSKA, Agata, ONDARZA, Nicolai von, 2012, December, Bridging a Differentiated Union: The Polish-German Tandem in Euro-Plus Governance, PISM Policy Paper (The Polish Institute of International Affairs)Pp. 1-2

Parliament will show itself unable to establish an acceptable degree of control over Euro area governance.
Coming back to the introductory question of this sub-chapter, we can now ask whether the horizontal dilemma really prevents the European Parliament from playing its role vis-à-vis the governance and the executive of the Eurozone? When trying to gauge the space which the horizontal dilemma leaves to the European Parliament to play this role, and eventually also to the national parliaments, one has to ask how large the new divergences are, how much overlap remains between the economic and fiscal governance for the Euro-subsystem and for the EU in general ?
The specific mark of this enhanced cooperation within the Euro group is its composite character, of Member States executing different parts of their total compliance due according to different treaty obligations and within different groupings of treaty partners, this being not so much the result of intentional construction efforts after 2008 but very much the result of the single original blueprint of EMU.

1. **ADAPT INTERNAL STRUCTURES**: All EU Member States sign up - since Maastricht in 1992 - to a Treaty which requires them to follow a set of rules in their internal monetary policy, already then accepting an obligation to adapt certain internal structures, most notably in having to establish an independent central bank. Further, they have to strive to fulfil the famous stability criteria as to public debt, public deficit and inflation. Finally, they accept they have to adopt the Euro once the Commission and the Council consider these criteria sufficiently fulfilled. All of this is already set out in an agreed frame of surveillance and guidance by the European Commission and the Council, but soft and without sanctions.
2. **MOVING THROUGH THE EURO BUILDING PROCESS IN COMMON**, 100 % CONTROLLED BY THE TREATY; BUT AT DIFFERENT SPEEDS. Only once they adopt the Euro, do they move into another league of sovereignty loss and submission to constraining monetary and budgetary policy rules. But this change is also stipulated in detail by the 1992 Maastricht treaty and potentially affects all Member States. **Ins** and still-**outs** or pre-ins are thus installed in one and the same treaty system which defines the conditions under which they cooperate in either group, and under which they move from one to the other. De jure this is no enhanced cooperation, fixed or adaptable by one of the groups[54], neither is its enlargement controlled by the Euro group. Rather, every MS is obliged under the treaty to follow this same parcours, except the two official opt-outs, UK and Denmark.
3. **DE FACTO TEMPORARY ENHANCED COOPERATION, DEFINED BY THE TREATY**. On the other hand and de facto the €-Member States apply a kind of treaty-imposed enhanced cooperation in assuming specific and important obligations and responsibilities, and which is subject to group enlargements which they do not control.
4. **SGP**: To these three layers of obligations, one intra-national, two intra-community, governed by one single treaty, the Amsterdam treaty revision of 1997 added a fourth one, this in secondary law, by introducing the regulations which constitute the Stability and Growth Pact.
5. **SELF-DECIDED ENHANCED COOPERATION** Finally, , either all of the Euro states or only a restricted group have been free, since the launch of EMU in 1999, to initiate enhanced

[54] Cf. PISANI-FERRY, in Commissariat Général du Plan (Ed.), Perspectives de la Coopération renforcée dans l'Union européenne, rapporteurs généraux : Benoît COEURE, Christian DEUBNER, Eric PHILIPPART, Jean-Luc SAURON, Paris 2004

cooperation among themselves in policy areas within the EMU competence field but not already expressly covered by EU action, or external of, but not disloyal to, the Union.[55]

These are the five pillars of Eurozone governance. They still stand. The reforms of the years 2008 and later have in their turn also been built on these pillars.
The reforms of the years from 2008:

1. ADAPT INTERNAL STRUCTURES: The TSCG, EuroPlus and Two-pack would seem to belong into this class of obligations, supposed to be assumed by all 27 Member States: Adapt internal structures to facilitate the functioning of coordination. But in fact, some of the obligations under TSCG going beyond EU competences and needing treaty change, which was being refused by the UK, these intra-national obligations were contracted by international treaty.
2. MOVING THROUGH THE EURO BUILDING PROCESS IN COMMON: Ins, pre-ins and outs of the Eurozone remain in the Euro-caravan the itinerary and the travelling conditions of which are defined by the Treaty, together with the stages through which the travelers have to pass. The complexities resulting out of this do not disappear.[56] At the same time, there were good reasons not to address them in terms of Enhanced cooperation.
3. DE FACTO TEMPORARY ENHANCED COOPERATION, DEFINED BY THE TREATY: It was true that (especially) the Euro-Member States had joined a group which shares treaty-imposed specific and important obligations and responsibilities that de facto do not concern the other Member States. But for the legal and institutional setup of the Monetary Union from 1999 to 2008, these obligations and responsibilities appeared limited and clearly circumscribed. An even further advance towards deeper budgetary and fiscal policy integration appeared clearly limited. The red lines were to be respected by all Member States, not only those with the Euro.[57] In these first ten years of EMU then, the cohabitation of an emerging European central bank and a common monetary policy system for a slowly increasing group of Euro Member States respecting common red lines in public borrowing, and the other EU Member States moving towards full participation in this scheme and towards full respect of these red lines themselves, did not appear impossible; the gap appeared temporary and manageable.

   This has changed: The fiscal and economic policy co-ordination of EU Member States has been strongly intensified.

   The specific obligations and responsibilities of Euro-Member States have been enlarged and added to, especially since 2008, leading to an accentuation of this shared and exclusive work at the institutional and the competence level. For the institutions, the most forceful change has taken place at the level of the European Council where a Euro-Summit has officially been installed after having de facto already worked since autumn 2008. This happened not by treaty reform but by means of the TSCG, an international treaty between all EU Member States except UK and Czech Republic. As to the substance matter of cooperation, its centre piece is the Six-pack, and much as it has widened its scope and hardened its bite vis-à-vis the Member States, its central objectives remain those already present in the old Stability Pact.

[55] Ibid., pp. 72 ff.
[56] Cf. GOSTYNSKA and ONDARZA, Bridging a Differentiated Union
[57] Even though only the €-MS are subjected to the sanctions regime

4. SGP: This impression is confirmed when one focuses on the manner in which the specific and important obligations and responsibilities of €-Member States (which had since 2007 already been underlined by adaptations of primary and secondary EU law, especially concerning the Euro-group and the so-called Stability and Growth Pact) have been affected. What was added in the way of the Six-pack-legislation of 2011 declares itself explicitly as a strengthening and prolongation enterprise of the preceding SGP legislation and its disciplines. The Two-pack-legislation of 2013 pursues the same objective, but in addition it only concerns the preventive and corrective policies applying to the Euro Member States, especially their budgetary policy. This momentous change of procedures and institutions was achieved in the Community Method which gave full voice and a vote to all Member States and to the European Parliament. But after all, it is only secondary legislation. In relation to the dimensions of change, especially in the balance of power between Member States and Commission, and in parliamentary accountability of Member States' fiscal and economic policies, this remains unsatisfactory! There is an air of regime change about this reform which calls for adaptation of the EU treaty in the coming years. At least it requires, as HALLERBERG et al also underlined, a special effort of legitimisation at the EU level.[58] This reform of the SGP is flanked by the wholly new institutions of financial emergency aid for over-debted €-Member States, leading up to the ESM, of macro- and of micro-economic surveillance and control in the financial sector. The most important elements of this reform have not been achieved by the community method but negotiated and decided upon at the executive-dominated EMU governance level – a première for the topic of financial solidarity which had had no place in the pre-2010 Euro-system, as much as for the method of quasi-treaty reform by executive action without any pre-existing formal legal basis either.Unforeseen contingency thus magnified the volume and the methods of Euro-group cooperation in a dramatic manner.
5. SELF-DECIDED ENHANCED COOPERATION: The creation of the TSCG would appear to prove the increasing willingness of Euro Member State governments to utilise enhanced cooperation for creating a restricted policy forum of their own. But in fact the Euro states had intended these reforms for the EU Treaty, and in the end, all EU Member States except the UK and the Czech Republic have signed up to them – a quasi-treaty change with two opt outs, achieved by international treaty, but hardly enhanced cooperation in the sense of the term. It was the UK together with the Czech Republic who had forced the others to choose the international treaty by blocking a revision of the EU treaty. As for its objectives and methods, the TSCG remains within the trajectory of treaty change established in Maastricht.

Assessing the evolving relationship of the EU and EMU together with the Euro group of the 17 on the one hand, and the remaining 10 EU Member States on the other hand, one cannot deny that:

- The non-Euro Member States retain, de lege and de facto, more freedom of manoeuvre and more specific national arrangements in these policy fields than the Euro-Member States. They neither participate in the (new) Euro Summit nor did they ever do so in the (old) Euro-Group, the two principal executive instances of the Eurozone and thus have no equal voice in the application of its governance
- The gap is wider today, between the ins and the outs, than it was in 2008;

[58] HALLERBERG et al, 2012, p.33

- It is less defined and circumscribed by common primary treaty law and more by secondary law specifically aimed at the Euro group, and even by non-EU international treaty law;
- It is marked by a number of common disciplines in the common Euro group regime for economic governance, compared to the level reached among the non-Euro Member States;
- It is less well bridged by common institutions, because the Ecofin Council, and since 2008 even the European Council have set up specific Euro-formations which work separately from the Councils of the 27, not to mention the extra-EU Councils for TSCG or ESM, destined to manage the respective regime.

But the sum of these specific differences vis-à-vis the Euro Member States does not yet make the non-Euro Member States dramatic, or for that matter united, outliers in this broad convergence process under EMU governance; except UK and Denmark, all of them have signed on to the Euro by joining the EU, all except the UK and Czech Republic to the far-reaching institutional adaptations of the TSCG, and all without exception are subjected to the European Semester, directed by the Union institutions.
After this overview, we can offer a **provisional answer to the introductory question about the areas of overlap between the Eurozone governance and the governance of the EU altogether**:
The first and most important part of this answer is that as of the year 2013, the overlap remains considerably larger than the divergence. It defines the EMU-relations between EU-Member States more than the specific Euro-related cooperation does (except, of course, the common monetary system itself). Not even the 'exclusion' of the 'outs' from the Euro Summit is complete. There is an important exception, imposed by the outsiders in the course of the negotiations of the TSCG, concerning Euro Summits which treat issues of competitiveness, global architecture of the euro area and its fundamental rules, or the implementation of the fiscal compact.[59] Here the participation of non-Eurozone members is authorised.

Euro Group co-operation and the European institutions

In the following paragraphs we need to see how the horizontal dilemma, with the strong remaining **overlap between the Eurozone governance and the governance of the EU altogether, taken with the increasing importance of the Euro group's specific enhanced co-operation**, as underlined in the preceding paragraphs, affects the roles of these European and national institutions. Special emphasis is on the European Parliament.
How are EMU tasks and competences to be distributed between complete and restricted councils, the European Parliament and a hypothetical Euro-caucus of this parliament, and the full number of Member States' national parliaments and those of Euro Member States? Even though being in- or outside of the Euro decides which fora governments and parliaments participate in, what determines the answers to these questions is belonging to the new diversified categories of surveillance, control, coordination and sanctions.
Can the resulting problems be described in terms of an enhanced cooperation outside of the treaty? Hardly the TSCG as such, including as it does all EU Member States, except one. If at all, one can compare it to the Schengen of 12-1996, when all EU Member States except the UK and Ireland had joined, leading to its inclusion into the EU treaty system on the occasion of the Amsterdam treaty revision of 1997.

EURO SUMMITS and EURO GROUP SESSIONS

The power concentration in these restricted institutions (when it comes to deciding about financial assistance packages and economic policy coordination, for instance) is often resented and considered to be a profound change of the power structure in the EU. Is that actually the

[59] Cf. GOSTYNSKA, Agata, The Fiscal Compact and European Union Economic Governance: An Institutional and Legal Assessment, in: The Polish Quarterly of International Affairs, 2012, no. 2, pp. 27-45, p.43

case? Concerning the relations between the Member States or the EU institutions, it is not, I would submit.

The EURO-SUMMIT

CF. TSCG: GOVERNANCE OF THE EURO AREA, Article 12

1. The Heads of State or Government of the Contracting Parties whose currency is the euro shall meet informally in Euro Summit meetings, together with the President of the European Commission. The President of the European Central Bank shall be invited to take part in the meetings. The President of the Euro Summit shall be appointed by the Heads of State or Government of the Contracting Parties whose currency is the euro by simple majority at the same time the European Council elects its President and for the same term of office.

2. Euro Summit meetings shall take place, when necessary, and at least twice a year, to discuss questions related to the specific responsibilities which the Contracting Parties whose currency is the euro share with regard to the single currency, other issues concerning the governance of the euro area and the rules that apply to it, and strategic orientations for the conduct of economic policies to increase convergence in the euro area.

3. The Heads of State or Government of the Contracting Parties, other than those whose currency is the euro, who have ratified this Treaty shall participate in discussions of Euro Summit meetings concerning competitiveness for the Contracting Parties, the modification of the global architecture of the euro area and the fundamental rules that will apply to it in the future, as well as, when appropriate and at least once a year, in discussions on specific issues of implementation of this Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

4. The President of the Euro Summit shall ensure the preparation and continuity of Euro Summit meetings, in close cooperation with the President of the European Commission. The body charged with the preparation and follow up of the Euro Summit meetings shall be the Euro Group and its president may be invited to attend the Euro Summit meetings for that purpose.

The participating Member States do not take anything away from the others: The competences bundled at this level do not at all concern policy areas which were, before, under an EU decision-making regime. It does concern newly-introduced policy cooperation of groups of Member States, within fields which are not yet subjected to EU competence anyhow.
Neither did this take away any powers which they held before from other European institutions. What it did instead was to bar the other institutions from extending their own competence to this policy terrain in future.
Upcoming challenges:

- ⇨ The wider and deeper-reaching the scope of the new European governance powers and the more important/crucial this terrain was considered to be for the future development of the EU, the less accepted was its reservation to Euro group council institutions' decision-making.
- ⇨ Excluding outs/pre-ins from this system until they entered themselves was OK as long as the system was simple, transparent and stable, and refrained from intruding into the national structures. This has been over, since 2010, and outs/pre-ins confront (and look forward to joining) a much more dynamic and complex Euro system intruding much further into members' national structures. Henceforth, they have much better reasons for demanding inclusion into all or part of decision-making.

EUROPEAN COMMISSION

The most dramatic change comes with the elevation of the European Commission. Its position in the new coordination structures has become central and immensely powerful,[60] vis-à-vis the Council of the EU and even the European Council. A look at the 'European Semester' shows this clearly: its unique prerogative to draft the Annual Growth Survey which stipulates central budgetary and economic objectives for the Union, its prerogative to propose country specific

[60] DEUBNER, C., 2011, Facing the Test of Global Financial and Economic Crisis, Cf. Chapter on The EU's Actors in Crisis Policy, p.11 ff.

recommendations to Member States, its prerogative to examine and judge Euro Area Member States' draft budgets before they are adopted, and finally its prerogative to emit proposals for quasi-automatic sanctioning of non-complying Member States. This role is confirmed by the Commission president's strong role at the side of the president of the Euro Summit, in organising the latter's work.

Vis-à-vis grouped EU-Member States' initiatives of enhanced cooperation, the Commission does what it always does. It tries to be present with its own expertise and suggestions, perhaps even with its long-term service. Its internal structures are much less affected by working for/on a policy field which is of direct interest only to the €-group of Member States. For the rest, its competences have been enormously strengthened by the reinforcement of the coordination.

Upcoming challenges:

The dramatic strengthening of the European Commission's power vis-à-vis the Council of the EU and even the European Council provokes not only recognition and admiration, but also *questions* and *concerns*. The *questions* concern the ability of the Commission to translate its far-reaching new powers into effective fiscal and economic guidance vis-à-vis the Member States, and into compliance of the Member States vis-à-vis this guidance.The *concerns* refer to the ability of the Commission to sustain this controlling and leading position vis-à-vis the Member States over time and against the easily predictable challenges in case of serious conflicts over strategy. Does the Commission enjoy – beyond the formal competence conferred to it by primary and secondary law – an expert bonus giving its guidance a superior authority vis-à-vis the views of national governments? Both aspects, important as they are for a proper assessment of the new regime and the need of parliamentary control, are hard to gauge in 2013, given that central elements of this regime have only come into effect as from January 2012.

As to the Commission's ability to obtain compliance from Member States with its new powers, HALLERBERG et al have come up with some initial provisional research results.[61] On the one hand they looked expressly at compliance with and ownership of the new instruments". On the other, they looked at the clarity, autonomy, authority and the specificity of the Commission's voice in EU guidance.

As to MS' compliance, HALLERBERG et al restricted their "analysis … to a sample of six representative Member States. At the national level" they found "that the European Semester is not sufficient (ly effective?, CD) to ensure policy compliance. Member States generally ignore the content of recommendations, especially in areas where these are not binding and at the same time likely to fall on a few concentrated vested interests (e.g. service market liberalisation)." In another remark they say that "empirically, fiscal consolidations inside the euro area during 2012 have indeed been very significant. Yet, it is impossible to ascribe this to the European Semester as very significant market pressure during 2012 was present." And as to ownership: "Whilst actual policy compliance is disappointing, the analysed EU Member States display appreciable levels of procedural adaptation, albeit to different degrees."

Indeed, there are interesting differences. Firstly an unexpected one: the two large Member States, France and Germany, have a better compliance than the two small ones, Finland and Estonia, in this first semester cycle. Experience with the old Stability and Growth Pact would have led one to expect the opposite result. It will be very interesting indeed to look at the future development of the small states' comparative compliance; my expectation would be more compliance then, compared to large MS.Secondly, there is an expected one: German ownership of the new regime appears clearly more explicit than the French one. In France, "what comes out of the analysis of official documents is that the Semester is mostly considered as an exercise in the coordination of structural reform across countries and much less as a procedure that supports multilateral fiscal surveillance." In fact this would seem to fit with the official line taken by France and suggests a preference on the less-binding part of EMU guidance. In Germany on

[61] HALLERBERG et al ibid., p.46 and 50 ff.

the other hand, "national documents refer extensively to the Semester and in particular to the Euro Plus Pact, for which the German government provides a detailed list of commitments. Differently from France, Germany devotes numerous references to the new framework also in the SP, suggesting that it conceives of this new instrument as an additional tool to enforce fiscal surveillance."

In spring 2013, the Commission lives through its first confrontation over the non-compliance of a large Member State with its country specific recommendations. Governments and institutions can contemplate the manner in which the instruments of the Treaty and the Six-pack are being wielded in such a case. France has been in breach of the deficit criterion since 2008 already.[62] In a first step it was subject to a Council recommendation on correcting this ED by 2012. Already by autumn 2009 it was given one more year to correct its ED by 2013[63]. Normal procedure would now have led to an "establishment of non-compliance"[64] which would in turn lead to the imposition of a fine. Instead, France has once again been able to convince the Commission of its inability to comply due to the economic recession, and has been given two additional years until 2015 to move out of the excessive deficit.

With five other Member States also being given new deadlines due to the economic slump in the Euro area, this was perhaps not possible otherwise. In its 2013 country-specific recommendations France was also explicitly admonished to advance quickly in a number of policies, for instance in reforming the pensions system in return for being allowed this two-year additional delay[65]. The French government reacted very negatively to this, president Francois Hollande declaring that he would not be dictated to by the Commission after it had spelt out what structural reforms Brussels expected France to undertake, and several cabinet ministers attacking the Commission and its president for aiding the political right in France, by interfering in its politics with excessively far-reaching recommendations. "All this", wrote the Financial Times at the time, "from a government which Mr. Hollande has committed to helping build closer economic and political union within the Eurozone to rescue the single currency from its long period of crisis."[66]

The MS-compliance record vis-a-vis the Commission certainly does not appear to be improved by the obvious inability to pass the reality-test with the preceding recommendations, by the quiet prolongation of adaptation delays for France and five other MS, and neither by this open large MS refusal to accept the Commission's new recommendations as legitimate. On the other hand, "following an in-depth exchange of views, the European Council (…of June 27/28, 2013…) concluded the 2013 European semester by generally endorsing the country-specific recommendations. Member States will now translate the recommendations into their forthcoming decisions on budgets, structural reforms and employment and social policies, while promoting full national ownership and preserving social dialogue."[67] It will be seen in the coming twelve months whether and how France and other MS will after all quietly implement the European Council's and Commission's demands, or whether the compliance deficit will grow.

[62] http://ec.europa.eu/europe2020/pdf/nd/edp2013_france_en.pdf

[63] Council Recommendation of 10 July 2012 on the National Reform Programme 2012 of France and delivering a Council opinion on the Stability Programme of France, 2012-2016, (2012/C 219/09)

[64] Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, Art.10, in: EU, 2011, 23.11., (Six-pack Legislation) in: Legislation Volume 54, 23.11.2011 (Official Journal of the EU)

[65] A key sentence in the Country Specific Recommendations for France: in recital 10 "Given the high and still increasing debt and the fact that the deadline to correct the excessive deficit is postponed again, [to 2015], it is all the more important that the 2013 budget is strictly implemented and substantial consolidation efforts are firmly pursued in subsequent years." inhttp://ec.europa.eu/europe2020/pdf/nd/csr2013_france_en.pdf

[66] France's bashing of Brussels signals worries at home, Financial Times July 2, 2013 4:29 pm

[67] European Council June 27/28, 2013 conclusions, p.4

⇨ This author considers a weakening of the Commission vis-à-vis the largest €-Member States as a very plausible probability, if the existing EMU policy praxis is maintained, insofar it is also urgent to reflect on strategies for countering this potential weakening. Can the Commission mobilise more sources of autonomous power within its own status? This is difficult to imagine, given that it was conceived for another type of job altogether.

Should it search to lean on a stronger and more legitimate institution, and which one should it be? The choice depends on the Commission's vision of the real short-medium range sources of legitimacy for the kind of governance instruments it now wields. If it has the vision of an EU-27-level reinforced EMU on the Community model, then this institution should be the full European Parliament. This would also fit with the parliament's 2014 perspective of gaining more political leverage over the Commission in future. But parliament must also keep in mind that the Commission's increasing politicisation on this occasion could weaken its position as an objective and neutral arbiter in difficult EMU coordination and sanctions issues. The Commission risks running into partisan conflicts with individual Euro Member States which may be able to build ad hoc partisan alliances in their favour and create situations which deter the Commission from utilising its full corrective tool box. This is not a welcome perspective.

⇨ THE EUROPEAN PARLIAMENT

For the European Parliament the horizontal dilemma has two important aspects.
The first one concerns the question whether the existing complete European Parliament of 754 MEPs may legitimately participate in parliamentary control over and co-decision in the EU's most far-reaching governance measures concerning the economic and fiscal policies of only 17 of its 27 Member States, from which 481 MEPs originate (representing ca. 333 mio of the EU's 504 mio inhabitants) compared to 273 MEPs from the rest. An absolute majority of the €-Group with 241 MEPs is far below the absolute EP-majority, even a 2/3 €-MEP majority does not reach this level.
If ever €-Area interests confronted non-€-Area interests in the European Parliament plenary, the chances of the €-Area MEP group of carrying the vote would appear reasonably good – but only if the confrontation were clear-cut and at least four fifths of its members actually voted for their group. The non-Euro-MEPs would only need the help of 105 from the Euro-MEPs to impose a decision with an absolute majority of the European Parliament, against more than three quarters of the €-MEPs. In the case of the full European Parliament playing an ordinary legislative and controlling role vis-à-vis all EMU governance, this arithmetic allows the non-Euro-MEPs high and possibly inacceptable influence on policies which interest mainly the Euro-MEPs.
The second aspect concerns the question whether the EP-representation of the citizens of the largest Euro-Member States is sufficiently equal to those of the smaller and medium ones, as to justify the European Parliament's exercising effective influence over fiscal issues which may directly affect individual citizens' financial situations, or the financial transfer streams within and between Member States' societies.[68] The degressively proportional composition that Art.14.2(1) sentence 3 TEU prescribes for the European Parliament, and which carries the already pre-existing rules forward, does in fact confirm a highly unequal representation of citizens in the

[68] Judgment of the German Federal Constitutional Court of June 30, 2009, in: BVerfG, 2 BvE 2/08 vom 30.6.2009. The Court considers the EP not to be a true parliamentary representation of the EU citizens, as Article 9 TEU Lisbon maintains, but rather as a representation of the Member States' peoples. It justifies this view with the unequal representation of persons in the EP, depending on the Member State of which they are citizens. Cf. § 279-288 of the above judgment.

European Parliament, depending on the population size of the Member State they belong to. Citizens of small – medium Member States enjoy much better representation in the European Parliament than the citizens of large Member States. This parliamentary over-representation confirms and re-enforces an artificial structural majority position of the small-medium vis-à-vis the larger Member States which already exists at the level of voting weights in the EU's councils. In other words, more state-equality in the state-chamber is not compensated by equal voters' representation in the people's chamber. Already the largest four Member States with 271 mio of 504 mio EU citizens are largely in minority in the decision-making institutions, with only 116 of 345 votes in council, and 300 of 754 MEPs in the European Parliament.

As much as this kind of inequality is acceptable for assemblies deciding about so-called 'passive integration' and non-redistribution issues only, its applicability for re-distribution issues is highly contested.[69] Large Member States' governments might well fear that extending the full European Parliament's normal parliamentary competences to all EMU governance issues – including Eurozone issues– gives additional parliamentary sanction to their structural minority position. This also affects a field rich with promise for future re-distribution. Just take as one example the upcoming new EU Convergence and Competitiveness Instrument.[70] This is all the more worrying because scientific research on re-distribution of resources in federal or quasi-federal unions around the world – including countries like Argentina, Australia, Brazil, Canada, Germany, Mexico, Spain, Switzerland, and the United States, but also the European Union – has clearly established that overrepresented states or provinces of such unions are very heavily and unfairly favoured in this distribution.[71]

These may appear to be very hypothetical calculations, but they must not be absent from an analysis of the European Parliament's place in future decision-making on Eurozone governance, a governance which already reaches – it has to be repeated! – deeply into the Member States' fiscal and economic policies and directly affects individual citizens' financial situations. Neither must these calculations be absent from the minds of policy-makers from €-Member States, be they government officials or MEPs, when they reflect on the place of the full European Parliament in an even further-developed EMU governance.[72]

What are the consequences for the place and role of the European Parliament in EMU governance?

The European Parliament only acts in full composition up until now.[73] With the demand for including decisions in policy fields like, for instance, financial regimes, sanctions, or transfer mechanisms between the sole Eurozone Member States fully in the EU (and thus in the EP's) competence, or at least subjecting them to an ordinary legislative procedure, the manifest misrepresentation of the Euro Group Member States in the European Parliament, on the two counts highlighted in the preceding paragraphs, becomes an issue of concern. How to proceed?

Two principal options seem to present themselves.

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[69] In fact and just as an example, one million Frenchmen have a much lesser representation in the EP, with only 1,3 MEPs, than one million Finns with 2,3 MEPs, or half a million Luxemburgers with 6 MEPs. Calculations from official population and EP data, by Christian Deubner

[70] COM(2013) 165 final. Communication from the Commission to the European Parliament and the Council. Towards a Deep and Genuine Economic and Monetary Union. The introduction of a Convergence and Competitiveness Instrument

[71] Cf. just one of many: DRAGU, Tiberiu and RODDEN, Jonathan, Representation and redistribution in federations, in: PNAS | May 24, 2011 | vol. 108 | no. 21 | 8601–8604

[72] Cf. the German Constitutional Court's judgment in: BVerfG, 2 BvE 2/08, where the court sets limits to the further deepening of EU integration, because of –among other reasons– the unequal representation of citizens in the EP.

[73] GOSTYNSKA and ONDERZA, p.7: "When Parliament takes a vote on Euro-area issues, such as resolutions on the debt crisis, currently even the 273 MEPs (36.2% of Parliament) representing voters of Member States outside of the common currency club have a say."

The first one would preserve the full-size-European Parliament’s competence vis-à-vis EMU governance but re-assess the desired scope of this competence. The European Parliament would attempt to find a clean clear-cut division between itself and the national parliaments, each side legislating on and controlling its share of EMU governance. At 2013 conditions, this still seems a feasible option for the European Parliament.

Alternatively, the second option would preserve the European Parliament’s ambition of subjecting the complete EMU governance to its full control and co-decision. But it would reserve the voting right on Eurozone governance issues to the sole MEPs from Eurozone Member States –perhaps a kind of Eurozone committee– and more generally adapt the European Parliament’s composition to the principle of equal representation of EU-citizens.

Here, satisfying answers are much harder to find than for the first option, at least in the short run. For restricted voting rights on Eurozone governance a number of proposals exist. For instance, for an EP parliamentary committee dedicated to Eurozone issues, composed only of Eurozone MEPs; other related ideas are being floated, all with the same objective. But there are also further reaching concepts like the one of creating a wholly new, dedicated parliament for the Eurozone.[74] To this, there has been clear opposition from the European Parliament’s leadership which considers the Euro the currency of the EU altogether.

Neither one of the principal solutions is likely to find enough support, rapidly enough, to allow either one to be implemented in time to take effect during 2013. Rather, intermediate solutions will have to be accepted.

In the following pages we will look at different scenarios for the coming institutional development, and the options resulting out of the, for the European Parliament. This will be done in terms of the vertical and the horizontal dilemma. An important variable of these scenarios is that the European Parliament insists on full application of its parliamentary powers under the present Treaty, for the full parliament, on the EMU governance.

The first is a status-quo scenario, in which the present vertical and horizontal frame of EMU governance is preserved. It will look in particular at the Inter-parliamentary Conference project proposed by the TSCG, Art.13.

The second one is a scenario building on and developing the main elements of the status quo, in which the vertical frame changes and EMU governance is further strengthened, all in remaining in the inter-governmental domain while the horizontal frame remains unchanged. It will show that the situation for the European Parliament’s first option, its present position, could worsen more rapidly than expected, and have to be replaced by the second one..

And the third scenario will put somewhat of a question mark over the status quo and attempt to sketch European Parliament and national parliaments’ options under an alternative status-quo minus concept.

National Parliaments

National parliaments are not much affected by the horizontal dilemma. In one sense, this dilemma confirms the need for their continuing activity. In another sense, however, where the European Parliament’s position is weakened by a horizontal dilemma which it does not succeed to solve, the relative strength of the national parliaments vis-à-vis the European Parliament will augment.

[74] For the separate parliament see ROTH 2011, for the committee GOSTYNSKA and ONDARZA 2012, 7

Intermediate and Unstable Compromise Found with the Concept of the Interparliamentary Conference (IPC)

In confronting the newest political developments of TSCG, and other proposals about compensating for the European Parliament's and national parliaments' influence losses over EMU-governance, the vertical and the horizontal dilemma must be dealt with and solutions found and carried several steps forward.

Pushed especially by the French parliaments, and inserted in the TSCG, art.13, comes the demand to create a new Inter-Parliamentary Conference IPC composed of national MPs and of MEPs. This Inter-parliamentary Conference is supposed to involve national MPs in those EU mechanisms - especially the TSCG - which increase the binding coordination of Member States' budgetary and economic policies. Another objective is to compensate national parliaments for their loss of power at the national level. It is to be composed exclusively of national MPs coming from **TSCG signatory Member States**, plus a limited number of MEPs. Participants are to represent their respective finance and economic commissions, with the official task to "debate" the issues dealt with in that treaty. Establishing this assembly at TSCG-level with nothing but a debating mandate could also partly meet the demand for a dedicated parliamentary forum on Euro-related topics without endangering the European Parliament's role altogether; this seems to have been accepted explicitly at parliamentary speakers' level.

Firstly, how to respond to these developments and proposals in a **status quo situation** where the vertical and the horizontal dilemma remain?

The IPC concept seems to be a good expression of the interests and relative power of the actors and their room for manoeuvre within the status quo of Member State governments holding on to an executive-dominated governance mode in Brussels, and exercising their national competences jointly in Brussels councils. We have seen that this new collective executive composed of the governments, or even only of the Members of the European Council or the Euro summit, cannot be controlled by the European Parliament in the same manner as the 'old' European executive, the Commission. But neither are its members any longer accountable to national parliaments in their collective executive mission at EU level. The European Parliament will in that scenario not be able to compensate the national parliaments' loss of control.

National parliaments are motivated to follow governments to Brussels in a joint movement, to gain a certain measure of information and exchange at this level. In doing so they can take advantage of structures already put into place by COSAC.

The Interparliamentary Conference and the two dilemmata "vertical" and "horizontal"

The Interparliamentary Conference concept is the most important one of the institutional proposals considered to answer to the *vertical dilemma* by joining national MPs to a representative group of MEPs at EU level. This proposal – put forward by the Member States signatories to the TSCG in article 13 of this treaty – has meanwhile been taken up in the national parliaments. Three very different approaches have, for instance, been presented

- out of the midst of the Socialist group in the French Assemblée nationale[75],
- and (six months later) by the EU spokesman of the SPD-group in the German Bundestag[76],
- by a group of chairmen of the European Affairs Committees of 15 Scandinavian, Baltic, Central European and Anglo-Irish Member State parliaments, on April 8 2013.[77]

[75] CARESCHE, C., 2012, 25.09., Assemblée Nationale, Commission des Affaires Europeennes, Rapport d'Information déposé par la Commission des Affaires Européennes. Portant observations sur le projet de loi de ratification du Traité sur la stabilité, ed., (France, No 202, 14eme législature).Pp.65 ff..

[76] SCHÄFER/SCHULZ, 2013, April. Unlike the French text, this is no official commission report but only a personal opinion paper, albeit of the European affairs speaker of the SPD group.

- Finally, a provisional conclusion has been drawn out of this debate by the common position elaborated by the Conference of Speakers of EU Parliaments, of April 21-23, 2013, in Nicosia.[78]

A brief comparison of these approaches demonstrates how the different actors reacted to the challenges contained in the vertical and the horizontal dilemmata of parliamentary reaction to the executive domination of new EMU governance. As the (unofficial) German proposal at least implicitly reacts to the earlier (official) French one, a closer look also sheds a light on the inherent conflicts linked to some of these parliamentary issues.

The proposals compared

The French Commission paper and the German MP article are each in its manner, 'maximalist' proposals, whereas the Scandinavian one of April 8 is a 'minimalist' one. The speaker's version of April 23 finds a compromise uniting elements from all four.

> An example of a minimalist position comes from the Finnish parliament grand committee: "The committee notes that no treaty provision or statute is needed to establish an inter-parliamentary conference, as such conferences in no way exercise public power. The committee considers it important that the mistake made in adopting article 13 of the Fiscal Compact is not repeated. It is dangerous for democracy to adopt quasi-democratic rules that offer the appearance but not the reality of democratic legitimacy. The European Parliament and each national parliament have the ability to influence economic policy using their existing competences. The arrangement in article 13 Fiscal Compact is weaker than the existing competences of the European Parliament and most national parliaments."[79]

Mission

Behind the mission issue stands the question why should an inter-parliamentary, mixed, body be necessary for parliamentary scrutiny of EU legal and executive action when the European Parliament already exists that is able and willing to assume this task. The answer to this can be found in the "vertical dilemma" or what R.Gualtieri called the alleged "multi-level dilemma" of this new EMU-governance. Given that it deals with mainly Member States and not EU–competence issues in budgetary and economic policies, it must not be scrutinised by the European Parliament, following this logic. Given that MS governments exercise these persisting national competences jointly in Brussels councils, national parliaments cannot only control them at the national level.

Article 13 of the TSCG stipulates a very modest mission: that the new Inter-parliamentary Conference is to serve only for mutual information and debate.

In comparison, both the German and the French schemes see the need to create more parliamentary representation accompanying the different steps of reformed EMU governance. The German proposal highlights the gain in mutual understanding and information which the inter-parliamentary assembly would bring: "Knowledge of the current state of the debate in other elected assemblies, exchange of best practice with regard to parliamentary participation procedures, getting to know about different perspectives and, not least, possible agreement on common approaches would serve in the first instance to enable each parliament to carry out its tasks better and more effectively" and to create EU-wide policy positions. In doing so, they also

[77] Cf. the unpublished letter of the 15 chairmen to the president of the Cypriot parliament (Council of EU presidency), of April 8, 2013

[78] CYPRUS PARLIAMENT, 2013, 21-23-04

[79] FINLANDS RIKSDAG, 2012, 13.12., P.9

want to add a ”parliamentary component” to “the existing European governance” which supplements what they call “the formal role of legislatures in European decision-making”.[80]

At the same time, they share with the French proposal the determination to leave the responsibility for democratic legitimation of political decision-making with those actors whose central task this is: parliaments at national level and the European Parliament.

Given these similarities, there are nevertheless some crucial differences. For the French parliamentary Committee, more than for their German colleagues, this new institution presents a European forum for passing a political message: the new budgetary disciplines have become so onerous for the populations which are subjected to the imperative of adjustment, that the establishment of these disciplines has to be subjected to a solemn and deep debate among the budgetary sovereigns – the 27 national parliaments. A forum bringing national and European parliamentarians together would allow transparent debate before the European public regarding the economic, budgetary and financial decisions which concern the future of the EU’s peoples.[81]

But none of the other national parliaments’ positions which were researched for this overview presented comparably explicit political objectives for the new inter-parliamentary instances. For most of them, this objective is even less explicit than what can be found in the German MP’s very formal justification. Generally there is no description at all of a specific expected ‘result’ of this conference’s work’ the recent Speakers Conference purely evokes a kind of parliamentary ‘oversight’ without any declared political ambition, citing in this a position of the UK parliament. If at all, the Speakers of Parliament of the Founding Member States perhaps express a slightly more affirmative position in point 8 of their recent paper.[82] As long as this widely-supported modesty of the mission is upheld, the differences between the German and French schemes would not – in the end – change the political outcome very much at all.

Explicit consensus is rather expressed on what the Conference should **not** aim for: decisions of its participants which bind their parliaments of origin in any way. As the “working paper” (not ‘conclusions’!) “of the meeting of the Speakers of Parliament of the Founding Member States of the European Union and the European Parliament in Luxemburg on January 11, 2013” writes in its point 7: “binding (parliamentary) decisions could only be taken at the responsible level”[83] - this “responsible level” probably meaning the level at which the respective parliament’s vote has a constitutionally or otherwise legally-anchored role to play in political decision-making, i.e. for national parliament in national budgetary procedures. Up to May 2013 there was no consensus between the European Parliament and National Parliaments to protect their respective competences.

Organisation of the conference’s work

Both the French Committee and the German MP want to organise sessions alongside the coordination cycles of the European Semester in spring and autumn and both want to have the conference express common viewpoints by resolutions. Both of them see the possibility of having the EU coordinating institutions on the one hand and the national parliaments on the other integrate the conference’s viewpoints into their own positions, perhaps even expressly reacting to them. Again, the wish that the Conference might find and impose a common viewpoint on the crucial issues of the Fiscal Pact TSCG on the European institutions is more explicit and more strategically expressed by the French.

But the most striking difference concerns the treatment of specific Eurozone governance issues, whereas neither the German text nor any of the other parliaments referenced above except one even mentions them, the French identify them as a very specific field of the Conference’s work.

80 {SCHÄFER, 2013`, April #101}

81 {CARESCHE, 2012`, 25.09. #89}P.65

82 Working paper of the meeting of the Speakers of Parliament of the Founding Member States of the European Union and the European Parliament in Luxemburg on January 11, 2013

83 Ibid.

They propose the creation, out of the midst of the Conference, of a special commission to follow and debate them, with very special emphasis on the functioning of the ESM. This Commission is apparently conceived to sit in permanence (i.e. not only for the spring and autumn sessions) to examine and follow all financial aid initiatives, and their implementation.[84]
A superficial overview of other parliaments' positions, and more importantly, of the recent Speakers' Conference, the Founding Members' Parliaments' Speakers, and the Scandinavian plus Central European parliaments' speakers' meeting shows the French Assembly to be almost completely isolated regarding this proposal. Only the Italian Chamber appears to be requesting a similar restricted commission, but without defining any specific tasks relating to it.[85]

Composition

The French appear to share the mainstream's position on this point. For the Conference, the French proposal follows the Art.13 of the TSCG to the letter, i.e. by assembling the presidents of the Commissions of the budget, the finances, the European affairs, and their deputies, there is an equal number of six MPs from each national parliament, plus sixteen MEPs. This is also the Speakers' and the Founding Members Parliaments' Speakers' position, apparently similar to most other parliaments.
Here the German MP's paper falls out with its desire to see political families' and national populations' weights proportionately reflected in the national parliamentary delegations, resulting in a much larger conference. A few others, especially the Scandinavian and apparently also the Irish parliaments, would on the contrary prefer even smaller delegations than proposed by the TSCG. The Speakers therefore found their compromise in part between widely diverging positions. On the other hand there was a very large group of relatively similar positions in the centre of which this compromise can be found.
The principal reason for this compromise appears to be the limit to the mission which the large majority of national parliaments and the European Parliament want to set to the conference. If no politically relevant positions are to be taken by it, then parliaments need not insist on any kind of proper representation and can accept the 'diplomatic' allure which this assembly of equal delegations of committee presidents will convey.
But behind the Composition issue also lurks the same basic institutional question as the one behind the Mission issue, namely why an inter-parliamentary, mixed, body should be necessary for parliamentary scrutiny of EU legal and executive action at EU level, if the European Parliament already exists that is able and willing to assume this task. This time the answer can be found in the horizontal dilemma, also called "multi-tier dilemma" (again Gualtieri) of the EMU governance, cf. above, i.e. not all MEPs may legitimately control the application of the reformed EMU governance because a large part of the latter only concerns the Member States of the Euro group. The French proposal of a special Euro affairs Commission is obviously an answer to this horizontal dilemma, highlighted further up. It would only consist of national MPs from Euro-Member States, plus (non-specified) MEPs. Only this Commission would then deal with specific Eurozone issues. This proposal is also supported by the already mentioned Italian draft resolution of October 2012.[86]

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84 CARESCHE, C. Ibid. p.67
85 Cf. the quasi-identical text tabled in the EU committee of the Italian parliament, Risoluzione in Commissione 7-01015, presentata da MARIO PESCANTE (presidente della Commissione politiche dell'Unione europea della Camera, Popolo della libertà) giovedì 18 ottobre 2012, seduta n.706, par. e) 1)
86 cf. also the quasi-identical text tabled in the EU committee of the Italian parliament, Risoluzione in Commissione 7-01015, presentata da MARIO PESCANTE (presidente della Commissione politiche dell'Unione europea della Camera, Popolo della libertà) giovedì 18 ottobre 2012, seduta n.706, par. e) 1)

These seem to be the only two parliaments that defend this idea.[87] All of the others do not even mention it. Neither do they, with the exception of the French, mention specific Euro-group issues for the Conference's mission. The German proposal is clearly opposed to this attempt of "setting up a Euro-parliament or something of the kind by the back door."[88] Again, the intended modesty of the Conference's mission would appear to help permit national parliaments and the European Parliament to ignore the issue of the "horizontal" dilemma.
The proposed modesty of the Conference's mission thus appears to be the common ground on which the national parliaments and the European Parliament are able to adhere to an equally modest and consensual conference concept, as to its organisation and composition.

The European Parliament's limited interest in the Inter Parliamentary Conference

When one looks back at the main findings of the chapter on the horizontal dilemma, they say that *at the status quo level of 2013* the European Parliament is justified to press for a strong role in parliamentary control and co-decision in most sectors of EMU governance, but in sharing this parliamentary role with the national parliaments. The *vertical dilemma* should not prevent it from pushing for this right; the *horizontal dilemma* should not prevent it from exercising this right with the full parliament. Insofar it is understandable that the European Parliament seems to be decided with regards to increasing its own institutional role in this governance, all in tolerating only a formal, modest, commenting role for the IPC.
If the European Parliament were to invest too much into the project of this Inter-Parliamentary Conference (TSCG-Art.13), it might be sucked into a much lower-quality, but ready-made parliamentary participation, together most certainly with the national parliaments, but therefore also fixed in a status without any rights vis-à-vis Council and Commission. In fact, even without any legal underpinning, or any strategic political intention, manoeuvering the new institution(s) into a position where it would compete with the European Parliament to be the only EU-level parliamentary assembly directly reacting to the most crucial decision-making of the European Semester, or for that matter of ESM decision-making, might well reduce the European Parliament's space of manoeuvre.
And in any case, this diverts the European Parliament's energy and attention away from working, as it should, for true EP-participation in budgetary and economic policy co-ordination.[89]
In the judgment of this author, the European Parliament can accept a participation in an un-ambitious Article 13-Interparliamentary Conference, as sketched out by the compromise of Nicosia. It should be present in this conference to enrich the debate of the national parliamentarians with its viewpoints and its exclusive Brussels insider knowledge, and help in finding the consensus necessary for common resolutions. But it must also watch out that the Assembly does not trespass beyond its self-set limits.

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[87] Provided that a future availability of all national parliaments' positions vis-à-vis the Art.13 proposal does not after all suggest a different assessment.
[88] SCHÄFER/SCHULZ, 2013, April, P.3
[89] This case was made very forcefully by the Member of the European Parliament Roberto Gualtieri during a recent expert seminar of FEPS and NEJDI in Brussels (25.03.2013). Gualtieri is Member of the S&D group in the EP and the priorities he set out for the EP are in line with other position papers like the Thyssen report, 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", (PE 494.867v04-00 A7-0339/2012), 24 October 2012. Cf. in the same general tenor the resolution for stability bonds, introduced by Sylvie Goulard MEP, Report on the feasibility of introducing Stability Bonds, 07-12-2012, PE 491.075v02-00 A7-0402/2012

A provisional stalemate

The position reached in April 2013 between the national parliaments and the European Parliament is thus a kind of provisional stalemate, in an attempt to come together for a concept which would neither block the national interests of the first, nor the further Europeanisation interests of the second.

In consequence, the ground upon which the Conference's mission has been approved is perhaps common, but it is not firm. In fact, it appears to be shifting, especially on the European Parliament's side.

Because there is no guarantee that the Status Quo of EMU governance remains intact, especially with regards to the vertical frame. As to the horizontal dilemma, this might remain in place for a longer time. This contradictory scenario seems to inspire many who advocate the idea that the Euro Group will after all need a specific parliamentary assembly. Jean Pisani-Ferry is a prominent representative of this school of thought; he speaks explicitly of the "fiction" of the Euro being the money of the EU of the 27, with which the European Parliament justifies its competence over monetary union matters.[90] We will come back to this point in the next chapter.

[90] PISANI-FERRY, Jean, Assurance mutuelle ou federalisme: la zone euro entre deux modèles, October 2012

How to Re-strengthen Parliamentary influence in EMU Governance?

(2) If Status Quo changes

Vertical frame changes

The European Parliament, together with other European policy actors, advocates and campaigns for transferring key elements of the existing EMU governance into the community method, and for rounding it off with additional fiscal and economic policy transfers to the EU level. It appears to consider these new fields so crucial for the integration process that they must be included into the acquis and the purview of its own parliamentary control. As a minimum it may insist on having its say in the policy issues addressed by the Euro Group Member States. Also, given the importance of the new policy field of reinforced budgetary and economic policy coordination among Euro Member States, the European Parliament may feel threatened in its future institutional status by accepting parts of these advances, for instance, those incorporated into the TSCG to take place outside its own range of competence. These interests are key in the European Parliament's resolution submitted to the European Spring Council on 12 June 2013, which demands that on the one hand any further initiative for a deepened EMU must imperatively be established in accordance with the Community method, and on the other declares that the European Parliament cannot accept any further extension of inter-governmental policy-making in the EMU regime[91].

This kind of reform would demand an intergovernmental conference and/or a convention and a Treaty Change. Unfortunately for the European Parliament, the governments seem to have clearly decided to ignore these demands and to continue on the path of inter-governmental coordination deepening.

First, there is no political will to undertake the treaty reform which would be necessary; it is only being mentioned as a possible option for the future[92]. After the 2005 experiences of the failed French and Dutch referenda on giving the EU a constitution, governments hesitate. The UK's prevention of a treaty change introducing clauses for "Stability, Coordination and Governance", which led to the TSCG of 2012, has further increased the hesitations vis-à-vis introducing such changes by an Intergovernmental Conference. And creating enhanced cooperation under the Treaty, for EMU governance, appears legally impossible. All three experiences rather motivated the search for either secondary law solutions, or inter-governmental arrangements outside the treaty – such as the TSCG or the Euro-Plus Pact.

The proposals of the European Council itself for a genuine economic and monetary union[93] show this clearly enough. Leaders like Angela Merkel and Francois Hollande[94] have, in their most

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91 **European Parliament resolution of 12 June 2013 on strengthening European democracy in the future EMU (2013/2672(RSP)),** indents nos. 3 and 4

92 Cf. Angela Merkel in the EP, on November 8, 2012, http://www.bundeskanzlerin.de/Content/DE/Rede/2012/11/2012-11-07-merkel-eu.html?nn=74420; the van Rompuy report concedes that "intergovernmental arrangements have been created … but these would *ultimately* (!) need to be integrated into the legal framework of the European Union.", Cf. FN 67.

93 Towards a Genuine Economic and Monetary Union, Herman Van Rompuy, 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, 05.12.2012

94 Intervention du président de la République au colloque "Europe : les prochaines étapes", Mardi 28 Mai 2013

recent programmatic speeches on EMU policy, concentrated on new executive-led sectoral innovations at EU level, one key instrument being the introduction of a Convergence and Competitiveness Instrument.[95]

The EMU might in consequence advance further towards even stronger forms of economic and budget policy coordination. But this would not in itself lead to the introduction of the ordinary legislative procedure and a stronger involvement of the European Parliament. Governments rather appear to count on working around this. That being the case, the EMU will remain in the midway situation and not turn into a genuine common fiscal-economic Community. Here, indeed, the national parliaments' presence at the EU level would have to be preserved and even strengthened.

In this scenario, which role would the two dilemmata play for the parliaments?

The VERTICAL DILEMMA

The VERTICAL DILEMMA would in consequence not be overcome by the Member State governments. There would be ever more intrusive and pressing EU-control over larger fields of as yet nationally funded, decided and legitimised economic and fiscal policy choices, based on inter-governmental EMU-cooperation. On the one hand, this would continue to be measures stipulated by EU secondary law (Six-pack and Two-pack), the application of which is only marginally controlled by parliaments. And on the other hand, this would mean additional measures stipulated by newly added international treaty law among the Euro group, plus other voluntary Member States (TSCG, Euro-Plus Pact, a Convergence and Competitiveness Instrument) that are even less accessible to parliamentary control.

To be sure, the van Rompuy report insists, "that further integration of policy making and a greater pooling of competences at the European level should first and foremost be accompanied with a commensurate involvement of the European Parliament in the integrated frameworks for a genuine EMU."[96] But we saw already that exactly this kind of "further integration" and "pooling … in the integrated frameworks for a genuine EMU" is not planned in the current European Council negotiations.

On the other hand, the report "stressed the principle that democratic control and accountability should occur at the level at which the decisions are taken. ….. This implies the involvement of the European Parliament as regards accountability for decisions taken at the European level, while maintaining the *pivotal role of national parliaments*, as appropriate."

Chancellor Merkel has insisted, for this kind of innovation in their EU-level cooperation, on the *key role of national parliaments* to support national governments. National parliaments, not the European parliament!

There is one interesting exception from this pervasive tendency, and that is the role of the European Parliament in the first of the Two-pack regulations (entered into force in June 2013) which concentrates on strengthening the economic and budgetary surveillance of *Euro* Member States in serious difficulties with respect to their financial stability, Regulation (EU) No 472/2013 of the European Parliament and of the Council. Into its implementation rules, the European Parliament was able to insert certain instances of parliamentary information and control that do not exist in any of the other seven regulations which make up the European Semester. None of these elements had been foreseen in the original Commission draft of 23 November 2011; the EP imposed them during the legislative process.

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95 Cf. Angela Merkel in the Bundestag 13.12.2012 in her declaration on the European Council of December 13 and 14, http://www.bundesregierung.de/Content/DE/Regierungserklaerung/2012/2012-12-13-eu-rat.html; cf. also the summer-interview of chancellor Merkel for Deutschlandfunk on 13 08 2013, insisting that "more Europe could also be had by accepting that national decisionmaking is closer and more intensively coordinated with the others – that is another form of more Europe", as reported by FAZ 15 08 2013 – translated by the author

96 Towards a Genuine Economic and Monetary Union, ibid., p.16

In the EP it is the 'competent committee' (in the regulation's wording) which is the Commission's interlocutor. As to *enhanced surveillance*, this committee must be informed by the Commission, together with the EFC, the Euro Group Working Group, and the parliament of the Member State concerned, about the measures aimed at addressing the sources or potential sources of difficulties which the Council has recommended to that Member State. Every quarter, the Commission will inform the EP committee about its assessment of the progress made by the MS, the sufficiency of the applied measures and the possible need of further measures to be recommended to the MS. (Article 3 of the regulation)

Where a Member State requests *financial assistance* from the EU … it shall prepare, in agreement with the Commission … a draft *macroeconomic adjustment programme*. The Chair and Vice-Chairs of the EP's 'competent committee' will be 'orally informed' about the preparation of this draft –i.e. before its adoption– by the Commission. In the same manner, the committee will be informed about the conclusions drawn from the monitoring of the macroeconomic adjustment programme. Each time, that information shall be treated as confidential. (Article 7 of the regulation)

In the two cases, the option of a critical debate between the EP committee, representatives of the MS concerned, of the Commission and the Council, not only about the measures taken *but also about measures considered or intended* is explicitly confirmed. This opens a possibility of feeding the EP's viewpoints into the governance process at the executive level at a point in time when they may actually influence the decision-making – a unique option in the whole European Semester process, to this author's knowledge.

But the Regulation (EU) No 472/2013 of the European Parliament and of the Council is an exception up to now. For the rest in taking the recent past and the foreseeable future perspectives into account, the European Parliament would be likely to continue to lack a solid legal basis upon which to rest its demands for additional parliamentary control, as well as the appropriate counterparts vis-à-vis which to exert it in the implementation of EMU governance measures. The European Parliament would need to continue and even intensify its struggle for gaining this parliamentary control by other means and in a case-by-case method.

Further up in the status-quo scenario the report has already proposed a number of criteria which could help in identifying the appropriate methods of intervening and the eligible policy topics.

In *legislative matters* the instrument for the European Parliament could remain the already mentioned OLP which has allowed the EP full involvement where EMU governance reform has taken the legislative path after 2008. It has even permitted the exceptional legislation concerning regulation EU 472/2013.

Where the EP considers OLP inaccessible it can choose *Inter-institutional agreements*. In *implementation issues* the comitology approach would remain of value. And in the same manner as in the status-quo solutions the European Parliament would have to define, together with national parliaments, those areas where either the one, or the others, are competent to decide.

Could the increasing influence which the EP may gain over the Commission after the election of 2014 strengthen the hand of the parliament in pushing for a more influential role in EMU governance? Neither the Commission nor the parliament can initiate a Treaty revision under current rules, thus there is no change for this aspect. As concerns secondary legislation and OLP, this change may weigh on the Commission's future positions. The same could be true for opening implementation of the European Semester to more EP influence.

Finally, the horizontal dilemma is likely to remain a serious impediment for the European Parliament's quest.

The HORIZONTAL DILEMMA

If the Euro group does not substantially enlarge in the same period to include most EU Member States except the two Opt-outs at the moment that the vertical frame change had come about, the horizontal dilemma for the European Parliament will sharpen in this changed status scenario. On the one hand the European Parliament would indeed appear justified to further strengthen its parliamentary leader role for legislative and controlling functions vis-à-vis EMU governance; on the other it would become less evident to exert such a role only with the full parliament.

RESULT

In sum, with the vertical and the horizontal dilemma intact and the second likely to grow more serious, and all in seeing legitimate reason for demanding more EU level parliamentary control of the European Semester, the EP is in a quandary as to its own role. The vertical dilemma does not leave it much institutional and legal leverage, with an uncertain plus in consequence of the added parliamentary legitimisation of the Commission in 2014. The horizontal dilemma impairs the legitimacy of the full EP to exercise control over the Eurozone governance. The vertical dilemma also continues to give legitimacy to the Inter-Parliamentary Conference project proposed by the Fiscal Pact (Art.13) and endorsed by the National parliaments in Spring 2013, a project which occupies some of the room which the EP might want to occupy itself.

As long as there is no Treaty revision which gives more influence to the European Parliament in EMU governance, the EP will thus have to arrange itself with these conditions. It will depend on the MS governments accepting to cede it such influence in each new case of secondary legislation or in upcoming debates about implementation. Its first objective would thus be to have each new addition to EMU governance cast in the form of secondary legislation, which would have to pass by OLP. In the case-by-case negotiations over such new legislation, the European Parliament might have to choose more consciously between pushing for a more influential role for itself in implementing new governance, or pushing for more and deeper coordination perspectives in EMU governance. In the past years and up to the present, it has chosen the second option. In the future, it would have to give preference to the first one.

The EP’s negotiation strategy over the Two-pack is a nice example. Whereas it demanded a strengthening of its own role in implementation, for Regulation (EU) No 472/2013, it demanded a step towards new EMU governance advances as a condition for its agreement to the second of the two EU Regulations, No 473/2013: The Commission has had to commit itself to set up a high-level expert group to examine the feasibility of the common issuance of euro bills and the establishment of a redemption fund.[97] But there was no improvement of the EP’s role in implementation.

If the EP wants to gain a larger role in the implementation of the European Semester via secondary legislation or comitology, and the more so the more of this coordination concerns the sole Euro-MS, it will also have to show its understanding for the interest of many Euro-MS to find “dedicated structures specific to the Euro area within the European Parliament”, for dealing with their specific issues[98] – as is the case of the Two-pack regulations. The format chosen by the EP for implementing its rights in Regulation (EU) No 472/2013, i.e. to receive the information of

[97] See the joint statement of 20 February 2013 by José Manuel Barroso and Olli Rehn, President and Vice-President of the European Commission respectively, on the occasion of the trilogue agreement on the “two-pack” legislation on the economic governance in the euro area.

[98] Certain €-MS governments are already pushing in this direction, cf. the new French-German declaration in: Pressemitteilung Nummer 187/13 vom 30. Mai 2013, “France and Germany – Together for a stronger Europe of Stability and Growth”, p.9. calling for “dedicated structures specific to the Euro area to be set up within the European Parliament after the next European elections to ensure adequate democratic control and legitimacy of European decision-making, with the means to achieve this to be left for the Parliament to decide.”

the Commission, and to react to them, and to the Council, will be an interesting test run. One can imagine that it will be closely watched by these last two and by all those who are thinking about the introduction of more EU-level parliamentary control of EMU governance.

EP Eurozone Committee may become unavoidable

Many Euro Area governments tend towards a restricted group format for the European Parliament when dealing with their specific affairs, a format which is already now discussed among many MEPs: Create a credible and visible committee for Eurozone affairs, for which only Eurozone MEPs are eligible and which has exclusive competence to represent the full European Parliament in Eurozone affairs. But open to incoming MEPs from new additional €-Zone Member States.

It is true that the European Parliament and eo ipso its Members have (only) since the treaty of Lisbon changed from being representatives of their peoples to being representatives of the people of the Union altogether. A subdivision of its members along the lines of national borders would constitute a step backwards. On the other hand and in reality, this is not a subdivision along national borders but rather along the borders of the evolving Eurozone. The risks inherent in this for the European Parliament's unity might be contained.

One could try to render this option more compatible with the whole set-up of the slowly enlarging and deepening Euro Group. In looking at the EMU's horizontal frame, we stressed that this is a unique case of a treaty-bound common advance of a heterogeneous group of states, with the common objective of the Euro for all, governed by common Treaty rules for those who are already in, for those who are not yet in, and for passing from the outside to the inside state. This is clearly different from other cases of past or present enhanced co-operation in the EU, like the Schengen-Group, where certain Member States decided at a certain point in time that they would cooperate in a specific policy field not yet europeanised by primary law.

Why should not the Treaty, or in an intermediate period the European Parliament itself, by internal rules of procedure, make the European Parliament an integral part of this unique case of the evolutionary Euro regime for the EU? Reserving parliamentary decision-making in Euro-related issues not to 'a certain specific constellation of Member States', but explicitly to the MEPs originating in the Treaty-defined and evolving Euro Group.

But the unequal representation in the European Parliament of the citizens of the largest compared to the smaller Euro-Member States could become a barrier to this plan, as to any other method of strengthening the EP's role in EMU governance questions. The report already underlined this issue further up, together with the strong negative opinion that the German constitutional court holds on this issue. In the medium term this could prove insurmountable, except by adapting EP representation of MS citizens in a new Treaty revision.

A second challenge would again come in dividing the tasks – this time not only between National Parliaments and the European Parliament, but inside the European Parliament itself. But it might not be as insurmountable a challenge as it seems to many, once the ideological barriers fall.

In the present Treaty, the European Parliament is quasi-exempt from this process and prides itself on representing the unity of the EU by this unicity of its voting. But in fact, the present Treaty dates from 2005 and no longer really reflect the realities of today's EMU. That old treaty envisioned a kind of EMU which expressly left the Member States responsible for, and <u>autonomous</u> in, the manner of complying with the deficit and debt criteria. In that EMU, the EP could and should vote in unicity for the little there was to decide at EMU-level, concerning the Eurozone MS. Accordingly, the treaty did not (need to) foresee a substantial role for the EP in implementing this EMU.

But the new post-2010-EMU is different. It should have been based on a treaty-revision which would also have adapted the EP's role. But even the revision by secondary law and international treaty has introduced (with the legislative help of the EP) very intrusive and far-reaching rules as to the manner in which Member States have to comply with the hardened and differentiated obligations of budgetary and economic policy coordination. And the compliance-demands on Eurozone MS today reach farther and are stricter than those on the other MS, a difference which will with high probability become even larger in the near future. That is why many find that the EP needs to also increase its role in well-defined 'moments' of this implementation process ("European Semester" for simplicity's sake), in addition to its role in legislation. And the more intrusively and specifically the implementation turns to the Eurozone MS, the less is it acceptable in the analysis of many experts and actors, including many MEPs, that this role be played by the entire EP.

… Or a new kind of Eurozone parliament would become necessary

The Inter-Parliamentary Conference project IPC proposed by the Fiscal Pact (Art.13) and endorsed by the national parliaments in Spring 2013 will with high probability be established by the end of the year. It remains necessary also in the Change-scenario because of the insufficient EMU competence transfer to the Union. But its share of the total parliamentary role in EMU governance will depend, as to reach and depth, on the share which the EP can carve out of the total for itself. If the leaders of the EP insisted that MEPs from the Eurozone and those from the other MS all indiscriminately participate in the parliamentary control of the European Semester, many governments of the Eurozone will very probably refuse to subject more of their coordination to increased EP control and prefer to work with the IPC.

In this scenario the IPC Euro commission proposed by the French and the Italian parliaments will see its chances for an important role increase. Different from the IPC, it would not only debate and resolve. As a consequence of the deepened Eurozone governance and of the absence of a restricted Euro committee of the EP, it could even be granted a modus of parliamentary support for, or opposition against, EMU governance decisions. But this type of advance appears hardly possible, or will have little consequence, if the commission remains composed of small national delegations consisting of an equal number of parliamentary commission chairs, and having equal voting weight. It would need more representativeness, according to the one-man-one-vote principle, along the lines of the SCHÄFER/ SCHULZ paper – and the well-known opinion of the German constitutional court. This would imply larger, more differentiated and more political delegations. And it would imply the absence of MEPs.

A further question in that kind of plan is whether it is politically and institutionally feasible to enhance the delegations in this manner for the sole Euro Commission sessions, and leaving them unchanged for the IPC sessions. Or whether this would have to be done for all national delegations to the IPC.If the European Parliament and the national parliaments could accept an enhancement of the IPC Euro commission of the type presented here, then they might also support the idea of limiting this enhancement to it. Both would be justified in fearing that an enlarged and politicised IPC could try to trespass upon political territory which they consider their own political responsibility.

Even so, this kind of a solution is difficult to defend and could very easily founder on institutional or political difficulties, both internal and external to the IPC. It could only be worth the European Parliament exploring the chances if it considers a restricted Eurozone committee for itself impossible to achieve.

The full European Parliament would remain on its trajectory to consolidate and deepen its control of well-defined limited fields of EMU governance.

Alternatively the European Parliament might have to countenance the creation of a new Eurozone parliament with a dominant voice for national members (as opposed to MEPs), either delegated from national parliaments or elected. At the same time, the European Parliament would remain completely free and retain its undivided legitimacy to watch jealously over the intangibility of its own competences in EMU governance at large, assertively and preemptively exercising them if it sees it necessary.

Alternative options for dealing with the vertical dilemma

Alternative options for dealing with the vertical dilemma would have to address the issue of EMU policy integration itself. I submit that a sustainable solution could only be found in either advancing even further than was set out in Chapter IV, or in tangibly reducing the degree of integration in EMU governance.

Advancing further: Together with the national executive and parliamentary competences in this field, certain well-defined sectoral parts of Member States' economic and social policy, *and their funding*, must also progressively be transferred w directly into the full EU-competence. Accordingly, we would need the transfer of national budget components to the EU-level, substantially extending the EU budget in the process. Only then would there be a systemically satisfying justification for transferring full parliamentary accountability for EU policy in this sector into the European Parliament.

Putting pen to paper on this subject leads to the realisation that in this area substantial Europeanisation of national budgets appears highly improbable in the coming years. In consequence, a dramatic supplementary deepening of integration in the EMU governance field appears hardly possible.

One answer favoured by this author is therefore to advance the Europeanisation of policies and of their funding in other areas. External EU Border guards would be one candidate, external security and defence and procurement another. The European Parliament should gain full parliamentary powers vis-à-vis these new policies.

Tangible reduction: If the budgetary and economic policy control over €-Member States cannot be underpinned by substantial budget shares to be managed at EU level, even the present degree of EMU governance risks being unsustainable already in the medium term. In consequence, this author would advise reducing the governance intensity level, especially by rendering it less ambitious and intrusive. In consequence also, its implementation would require less specific parliamentary legitimisation and the TSCG Art.13 model, without the French-inspired Euro-Commission, might very well suffice.

This would not be a disavowal of the European Parliament's legitimate aspirations at the EU level, if the European Parliament realised that a fully centralised budgetary and economic policy control over €- and non-€-Member States is in any case contrary to the decentralised coordination prevalent in the world's largest and oldest federal states, and that it is very probably impossible to impose durably. As to this, the European Parliament would substantially gain in responsibility for the other new competence areas of the EU.

The largest part of the disciplining task vis-à-vis the Euro Member States should be shifted from the EMU governance to the financial markets and a larger auto-responsibility of these €-MS in a system designed along the lines established by the United States or Canada.

Alternative options for dealing with the horizontal dilemma

The alternative option that has just been sketched out for dealing with the vertical dilemma would already defuse the largest part of the pressure contained in the horizontal dilemma.

Glossary

Elements of the European Semester (current and planned)

AGS:	Annual Growth Survey
AMR:	Alert Mechanism Report
CSR:	Country Specific Recommendations
EDP:	Excessive Debt Procedure
IDR:	In-Depth Review
MTO:	Medium Term Objective
NRP:	National Reform Program
SCP:	Stability and Convergence Program
SGP:	Stability and Growth Pact

EC:	European Council
EP:	European Parliament
EMU:	Economic and Monetary Union
GDP:	Gross Domestic Product
IPC:	Inter-parliamentary Conference
MP:	Member of (national) Parliament
MEP.	Member of the European Parliament
MS:	Member State
OLP:	Ordinary Legislative Procedure
RQMV:	Reversed Qualified Majority Vote
TEU:	Treaty on European Union, also together with the TFEU: Lisbon Treaty
TFEU:	Treaty on the Functioning of the European Union
TSCG:	Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, also: Fiscal Pact

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