

## Difficulties of Enhancing the Eurozone's Democratic Accountability – the Status of the European Commission's proposals<sup>1</sup>

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On December 6 2017, the European Commission set out a 'Roadmap for Completing the European Monetary Union' (EMU). The aim is to enhance the unity, efficiency, and democratic accountability of the EMU by 2025. The roadmap follows up on the European Commission's priorities for 2015-19 on creating a deeper and fairer economic and monetary union with the aim of combining stability with fairness and democratic accountability. This ZEI insight paper takes stock of the status of the proposals put forward in the roadmap to enhance the democratic accountability of the EMU.

The roadmap aims to involve parliaments more in EU economic governance by equipping them with sufficient oversight powers. This includes proposals to (1) formalise the economic dialogue between the European Parliament (EP) and the Commission by the end of 2018, (2) create a European Minister of Economy and Finance who is accountable to the EP, (3) integrate the Fiscal Compact into secondary EU law, and (4) establish a European Monetary Fund anchored in EU law.<sup>2</sup>

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

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

### Status on the roadmap proposals

The Commission has so far 'delivered' on two of its four above commitments to increase parliamentary oversight in the EMU: proposing to integrate the Fiscal Compact into secondary EU law and establish the European Monetary Fund.

In December 2017, the Commission put forward a proposal for a Council Directive laying down provisions for strengthening fiscal responsibility in the member states by **integrating the Fiscal Compact in the Union legal framework**. This proposal has, however, not been adopted, as the Council is hesitant to integrate the Fiscal Compact into the EU legal framework.<sup>3</sup>

The Commission also put forward a proposal for a Council Regulation on **the Establishment of the European Monetary Fund (EMF)** in December 2017, which is still being discussed in the Council's preparatory bodies.<sup>4</sup>

Significant disagreement in the Council exists on the nature of the European Monetary Fund

with a number of countries (particularly the new Hanseatic League) cautioning against a far-reaching development of the EMU and integrating the European Stability Mechanism into EU law by way of creating the EMF.

The Commission's proposal to **create a European Minister of Economy and Finance** ('**European finance minister**') is still to be implemented. The Commission, the European Parliament and Council are still to reach a common understanding on the role of the Minister. The Commission envisages merging the responsibilities of the President of the Eurogroup and the European Commissioner for economic and financial affairs in order to contribute to a more coherent EU governance framework. This post could be created as part of the appointment of the forthcoming Commission (2019-2024).

The creation of a European finance minister is likely to give the EP a greater say on economic governance, particularly on those aspects where the EP does not currently enjoy formal co-decision rights. This is because the new position – as envisaged by the Commission – is double-hatted in nature and carries both intergovernmental and supranational elements, which may be difficult to strictly separate in practice.

Under the supranational hat, the European finance minister will be accountable to the European Parliament (EP) through appointment approval, during the mandate, and a potential vote of no confidence. Legally, the intergovernmental hat is, however, less accountable to the EP beyond a range of reporting obligations. The position of the potential EU Finance Minister might secure a greater say for the EP on elements covered by the intergovernmental hat, as it may prove difficult to completely separate the two in practice.

It is, however, questionable if the new ministerial post will have any real powers without a Eurozone

budget, the ability to conduct economic policies (e.g., impose/reduce taxes) and economic reforms. Without any tangible powers, a European Minister of Economy and Finance risk being nothing more than a figurehead, potentially adding to the image of the EU as a bureaucratic entity.

The **formalising of the economic dialogue** is still to be implemented; it could be included in an updated inter-institutional agreement between the EU institutions. The economic dialogue was introduced in 2011 with the 'Six-Pack' to increase the transparency and accountability of decisions taken in EU economic governance. It makes it possible for the EP to invite top EU officials (the Commission, the presidents of the Council system, and the Eurogroup) and member states to discuss issues related to the European Semester and the Stability and Growth Pact.

The suggestion to formalise the dialogue between the EP and the Commission does not appear to change the current relationship between the two institutions, as the Commission already has a treaty obligation to respond to questions of Members of the European Parliament (MEP) either orally or in writing (Article 230 TFEU). Even actors who take part in the economic dialogue on a voluntary basis (such as member states and the Eurogroup) have been willing to participate and appear in hearings before the EP's Committee on Economic and Monetary Affairs (ECON) to discuss EU and euro area economic policy matters.<sup>5</sup>

As it stands now, the proposal to formalise the dialogue seems more like a polite gesture to the EP rather than offering the EP any new (binding) powers.

The economic dialogue can be viewed as a parliamentary oversight mechanism, where executive actors must explain and justify their conduct and potentially face sanctions.<sup>6</sup>

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The dialogue is, however, unlikely to involve any ‘real’ consequences for the actors involved beyond ‘naming-and-shaming’ due to the EP’s ex-post oversight powers in the EMU.

It is questionable if the economic dialogue can fill the gap of limited parliamentary accountability in economic governance as long as the very structures of the European Semester are not changed. Currently, supranational political authority is suspended between the collective of national governments in the Council system and the Commission. The European Semester is an iterative step-by-step process in which it is difficult to assess when significant decisions are taken and by whom.<sup>7</sup> At every step of the process, it is possible for the actors involved to attribute their policy choices to the conditions set at the previous step. The Commission, for instance, can only present its decisions as the implementation of the rules set by national governments. At the same time, the member states are not politically accountable as a collective at the EU level and in practice often support the Commission’s position.<sup>8</sup> This makes the principle that ‘democratic control and accountability should occur at the level at which the decisions are taken’ rather difficult to adhere to in practice. As long as the key political moments in the European Semester are not clearly identified with the possibility of holding specific actors to account at each step, it is difficult for the EP to play a substantial role in the process.

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#### Endnotes:

1. Some of this paper has previously been published by the author in Think Tank Europa’s report ‘Parliamentary oversight in the EMU: Stocktaking and ways forward’, 7 June 2018.
2. See ZEI Monitor EU Progress 2014–2019, Commission Priority: A Deeper and Fairer Economic and Monetary Union.
3. EP Legislative Observatory, Procedure file on Strengthening fiscal responsibility and medium-term budgetary orientation in the Member States, 2017/0335 (CNS)
4. EUR-Lex, COM (2017) 827: Proposal for a Council Regulation on the establishment of the European Monetary Fund, 2017/0333 (APP)
5. European Parliament (2017) Economic Dialogue and Exchanges of Views with Member States under the European Semester Cycles. State of Play - December 2017, EGOV, Directorate-General for Internal Policies, PE497.736.
6. Bovens, Mark (2007) ‘Analysing and Assessing Accountability: A Conceptual Framework’, *European Law Journal* 13:4, 447-68.
7. Dawson, M. (2015) ‘The legal and political accountability structure of the ‘post-crisis’ EU economic governance’, *Journal of Common Market Studies* 53 (5), 976-93.
8. Crum, B. (2018) ‘Parliamentary accountability in multilevel governance: what role for parliaments in post-crisis EU economic governance?’, *Journal of European Public Policy* 25 (2), 278.
9. Van Rompuy, H. (2012). President of the European Council, in close collaboration with José Manuel Barroso, President of the European Commission; Jean Claude Juncker, President of the Eurogroup; Mario Draghi, President of the European Central Bank, *Towards a genuine Economic and Monetary Union*, 5 December 2012.

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