EMU GOVERNANCE: BETWEEN *DEMOI* AND *KRATOI*

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The so-called euro area crisis has fuelled intense debates on the evolution of the balance between technocratic governance and political accountability in the EU. It is first enlightening to consider the main actors of such a crisis, so as to underline how these debates can lead to very different outcomes according to their starting point.

The European Central Bank has played, and will continue to play, a key role in technocratic governance and in the framework of a precise mandate, both of which are established by the EU treaties. It has been politically accountable at European level, especially through its dialogue with the European Parliament, but there is no way for citizens or their representatives to reject or replace its members.

For its part, the European Council has also taken crucial decisions to cope with the euro area crisis in a very different institutional context: the heads of state and government are accountable to their parliaments and/or the citizens of their countries and, as such, they have illustrated the advantages and limitations of highly political governance. The co-existence of these national accountability mechanisms can indeed explain why it has been so difficult to reach compromises at European level, given the contradictions in the positions backed by the heads of state and government and the majority of the citizens they represent. In this regard, it has to be underlined that, if the European Council has often decided "too little, too late", this is also the consequence of the contradictions expressed by its members, who are all accountable to their national "demos", and is not the consequence of a "democracy deficit".

Last but not least, the creation of the "troika" composed of the IMF, ECB and European Commission members has naturally fuelled a far different story. And it is true that it has combined technocratic governance, blurred responsibilities and extremely weak parliamentary and political accountability. The photos of unknown technocrats in grey suits arriving at the airport to harden conditions and give instructions to national authorities have been perceived as the symbol of a governance which is all the more criticised because the powers it exercises are substantial.

As we shall see, the troika should nevertheless appear not only as a striking symbol, but also as a relative exception in the history of EMU governance.

Considering the specific role of other important actors, especially the European Commission, widens the debate on the balance between technocracy and political accountability. Conversely, such widening of the perspective leads to insistence on the need to put more faces to the political divides that structure the governance of the EMU, both at executive and parliamentary levels, so as to make it more transparent and more accountable to EU citizens.[1] More democracy in EMU governance also means more clarity on its *kratos* and *demos* dimensions: that is what this article is about.[2]

The troika and the "IMF regime": an exception in EMU governance

The euro area crisis is also a "sovereignty crisis", which has led to change in how competences are distributed between the EU and its member states. This crisis has therefore led some of these states to provide assistance to those whose private and public debts had become excessive in exchange for increased EU monitoring of national fiscal and economic policies. In this context, the series of "memoranda of understanding", "packs" and "pacts" seems, however, to have produced a political system based on poorly defined responsibilities, while EU treaties are more traditionally based on the principle of subsidiarity.

The creation of the troika is the most striking element of a general evolution of EMU governance which deserves in-depth analysis to establish the extent to which the recent reforms have limited the scope of national democracies and sovereignties. This means putting up for debate the idea that "Brussels" governs member states without the legitimacy to do so—though this is not generally the case[3]—and trying to more precisely define the various *kratoi* at stake within EMU governance.

Table 1. The way competences are exercised in the EMU

Purpose	Tools	Keyword	European actors	Comparable actors
Bailout	Memorandum of Understanding (MoU)	Condition	Commission / ECB, Council	IMF
Preventing/correcting fiscal excesses and macro-economic imbalances	Stability Pact, TSCG	Sanction	Commission, Council	UN
Monitoring economic and social policies	Europe 2020, Euro + Pact, TSCG	Incitation (political)	Commission, Council	OECD
Promoting structural reforms	Reform financial aid	Incitation (financial)	Commission, Council	World Bank

Source: Yves Bertoncini, António Vitorino, Reforming Europe's governance, op.cit.

With this in mind, it is important to give more detailed analysis to the nature of the competences held by the EU under the new EMU governance regime and compare them with those that other international organisations exercise. This prior clarification is crucial both in order to get recent developments into proper perspective and to make it possible to implement, on a healthy basis, all those adjustments that EMU governance still requires.

If we leave aside the competences exercised in the framework of the banking union, it is possible to classify the relations between the EU and

1. For more developments: Bertoncini and Vitorino (2014).
2. This article is directly inspired by my speech at the seminar «Redesigning EMU governance in light of the Eurozone crisis» organized by CIDOB on 21 November 2014 in Barcelona. I thank the organisers for their invitation and the quality of the debate.
3. For a more detailed discussion of these issues, see Fernandes (2014).

its member states under different political regimes in which national or popular sovereignties are being jeopardised to extremely varying degrees: four different political regimes can be identified that have an extremely variable political impact on national or popular sovereignty (see Table 1):

- The **"IMF regime"**: the sovereignty of the four "countries benefiting from European aid programmes" is conditioned by the fact that representatives of the troika and of the European Council can combine an obligation to achieve results with an obligation concerning the means for achieving those results, demanding specific, major pledges in return for the loans they grant. Other than when a new bail-out is required, it may appear to be possible to extend this European control over the budgetary, economic and social choices made at national level only in the event that all or some of the member states commit to the mutualisation of national debts (eurobills or euro bonds).

- The **"UN regime"**: this regime applies to the monitoring of national budgetary surpluses (rather than national budgets per se) and also rests on member states' pledges not to exceed certain budgetary ceilings (in particular, a deficit standing at over 3% of GDP). If they comply with these ceilings, they are free to act as they please, but if they consistently exceed them then in theory they can be subjected to a coercive approach based on potential financial penalties. In any event, member states have an obligation to achieve a result (i.e. to return below the ceiling) but no obligation as to the means used to achieve that result: it is up to them to define the ways chosen for achieving it and it is their choice whether or not to comply with the EU's detailed recommendations.

- The **"hyper-OECD regime"**: this regime concerns the relationship between the EU and its member states with regard to monitoring national economic and social policies, hence "structural reforms". These relations are based on a combination of political initiatives (recommendations, supervision and mutual pressure) enacted among member states. This political pressure is considerably greater than that brought to bear by the OECD, yet it has no compulsory impact on the member states' domestic political choices. Where structural reforms are concerned, the EU can recommend but it cannot command.

Table 2. The scope and impact of competences exercised within the EMU

Tools	Political scope	Geographical scope	Temporal scope
Memorandum of understanding (MoU)	Definition of national economic and social policies	Greece, Ireland, Portugal, Cyprus	2009-2014 (GR, (IE, PT), 2013-2016 (CY)
Stability & Growth Pact, TSCG	Control of national fiscal excesses and macroeconomic imbalances	EU28, EU25 (except Croatia, UK & Czech Republic)	Since 1997 (SGP), Since 2013 (TSCG)
Europe 2020, Euro + Pact, TSCG	Coordination of national economic and social policies	EU28	Since 2000 (Lisbon Strategy)
Reform aid fund	National structural reforms	Euro area	Post-2014?

Source: Bertoncini and Vitorino, 2014.

- The **"World Bank regime"**: this regime rests on the principle that if the EU grants financial aid to member states that aid must serve to promote structural reforms at a national level. The proposal to set up a new "financial tool for convergence and structural reforms" illustrates this approach, as do the reiterated attempts to enforce macroeconomic conditionality in return for access to European structural funds.

Such a classification shows how different these four political regimes are, including from a geographical and temporal point of view (see Table 2), reminding us that the "IMF regime" and the troika are to come to an end in the near future. It also highlights the fact that, in the absence of clarification regarding the real scope of their competences and powers, the "EMU institutions" will continue to adopt doubly counterproductive positions and recommendations: on the one hand those positions and recommendations will be perceived as being excessively intrusive and thus illegitimate in view of their level of detail, while on the other they will ultimately have no direct, concrete impact on the decisions taken by the member states concerned.

The executive dimension of EMU governance: more faces for more accountability

The crisis in the euro area has led to a strengthening of the European Council, which the Lisbon treaty accords full recognition as an institution. This "crisis government" was rightly criticised when it turned into a tandem ("Merkozy"), the existence of which sanctioned a break with the formal equality that exists among the EU's member states. The negative perception of this tandem has then reinforced the need to have more legitimate and accountable faces at European level to embody the EMU governance: from a *demos* perspective, it is indeed key to rely on bodies and actors able to personify this governance and, more concretely, able to answer the questions raised by citizens and public opinions all over the EU.

In connection with this, aside from the ECB and its management – which has to continue steering the euro area's monetary policy and taking on new functions in the field of banking supervision – the governance of the euro area needs to be consolidated at the presidential and ministerial levels on the basis of the following guidelines (see Table 3 for a global overview).

Regular summits for the euro area

As the name suggests, the "euro area summits" constitute, first and foremost, a place of power that is specifically devoted to the euro area at which the heads of state and government of the area are called upon to decide on the main guidelines to be followed with regard to bailouts of struggling countries and the organisation of the EMU. The principle of such summits were long rejected, especially by the German authorities, on the pretext that they might represent an attempt to place the ECB under the supervision of, or be pressured by, the euro area member states. It was the crisis that hastened their advent in 2008, under the French presidency of the EU. Since then, they have been granted a stable president (currently Donald Tusk) and "Rules of Procedure" detailing their organisation and functioning.[4] These rules specify that the president of the Commission is an *ex-officio* member of such summits, that the president of the ECB is "invited to participate", that the president of the Eurogroup may be "invited to be present" and that the president of the European Parliament may be "invited to be heard". By virtue of their composition, these summits are therefore expected to meet regularly in order to exercise "leadership" over the key euro area issues by requesting expertise and recommendations from the Council, the Commission and the ECB. With this in mind, and as suggested by the French and German authorities, it would be extremely useful for the euro area summits to rely on the Eurogroup, but also on the ministers of the council of employment and social affairs ministers and those of any other type of council that is likely to provide a vision that is not limited to economic and financial issues alone.

A Eurogroup with a full-time president

Established in 1997, the regular meeting of finance ministers of the euro area countries, or the Eurogroup, constitutes the natural ministerial component of the euro area government. The euro area crisis has nevertheless highlighted the democratic shortcomings of such a body in terms of visibility and accountability; the conditions governing the adoption of the Cyprus bailout, of which almost no Eurogroup member seemed openly to admit ownership, remains, from this point of view, a particularly catastrophic counterexample. In this context, the swift appointment of a full-time president of the Eurogroup would be welcome in terms of both effectiveness and legitimacy.

The public good that the euro represents should actually be supported and embodied continuously rather than sporadically. This dual mission should be the responsibility of the president, not only so that he can ensure the follow-up of decisions made within the EMU framework, but also to be accountable to member states and members of parliament. In the long term, the post of Eurogroup president could be combined with that of the European Commissioner for Economic and Monetary Affairs, as appropriate, according to the current model in the field of the Common Foreign and Security Policy (CFSP) (the EMU and the CFSP being precisely two areas in which the combination of national sovereignty and the European approach is required).

The Commission's hybrid role

The Commission should also play a key political role in euro area governance, conducting missions that are both "presidential" and "ministerial".

Missions should be "presidential" when they involve contributing to the work of euro area summits on the basis of analyses and proposals prepared by the Commission's services, then debated and endorsed by the College of Commissioners so that they fully convey the cross-sectoral added-value of the institution.

4. See Council of the European Union, "Rules for the organisation of the proceedings of Euro summits", March 2013.

"Ministerial" missions come into play when it comes to drawing up legislative and fiscal initiatives required for the smooth running and organisation of the euro area. It goes without saying that the full involvement of the College will also help strengthen the political weight of the Commission's contribution within the euro area government, while the influence of the Commissioner for Economic and Monetary Affairs will be structurally more limited in comparison to the Eurogroup president if he too often appears to be acting alone. The College of Commissioners, which brings together members of varied backgrounds and responsibilities, should also ensure full supervision of its services so that its positions and contributions can enhance its political legitimacy and effectiveness relative to those made by the Eurogroup.

Table 3. Completing the institutional architecture for the euro area

The executive governance of the euro area	
Presidency level	Regular euro area summits with permanent president and input from the president of the Commission
Ministerial level	Eurogroup with full time president and input from the Commission
The euro area's parliamentary dimension	
European Parliament	Subcommittee for the euro area (open to all MEPs, up to a maximum of 60 members)
National parliaments - European level	Interparliamentary conference for the EMU (open to representatives of the 25 national parliaments that have ratified the TSCG, up to a maximum of 150). Participation of MEPs up to a maximum of 30.
National parliaments - National level	Strengthening ex ante and ex post control of their government when deliberating and voting on euro area issues.
Stronger services for the euro area*	
Bail out	ESM, then expanded EFSM / Commission, Eurogroup, ECB «Trio» (instead of troika).
Budget supervision	Commission – Eurogroup Secretariat – European Treasury
Economic Coordination	Economic and Financial Committee - Euro area working group

NB: already put in place, **yet to be implemented**.
* For more precision on the "stronger services for the euro area", see Bertoncini, July 2013.
Source: Bertoncini and Vitorino, 2014.

Strengthening the euro area's parliamentary dimension: more familiar faces for the governance of the EMU

From a citizen's point of view, deepening the democratic dimension of EMU governance must also lead to the provision of more powers and more visibility to his/her direct representatives, i.e. the members of parliaments. The euro area crisis has indeed confirmed the need for heightened debate between citizens' direct representatives, which must not be limited to the occasional "solemn rituals" that the European Council meetings and euro area summits are today. The crisis has stimulated reflection on the way to better include European as well as national members of parliament in such debates to the point of creating major tensions between these two categories of citizens' representatives.

It is therefore vital to highlight the fact that the central issue is to organise more democratic support for the progress that has recently been made possible in EMU governance and to prevent the weakening of the democratic dimension of the EU and the role of the European Parliament. It is necessary to bridge certain gaps in the European "democracy deficit", not to redistribute a limited number of parliamentary prerogatives: the objective is to reinforce "cross legitimacy" at parliamentary level, as underlined by Ulrike Guérot.[5] In other terms, all EMU parliaments are, in reality, confronted with a positive agenda that needs to be implemented at several levels. Independent of the necessary strengthening of the supervisory activities of national parliaments in relation to their own governments, two complementary initiatives should also be encouraged at European level so as to strengthen the euro area's parliamentary dimension.

More national parliamentary control over governments

National parliaments have, as usual, ratified any amendment made to the TEU, the treaty establishing the ESM and the TSCG – the two last being approved by referendum only in Ireland. This weighty intervention on the part of the primary organs of representative democracy at national level highlights the full legitimacy of those elected by the people to take decisions having a structural impact on the functioning of the EMU. Yet it is at odds with the far more heterogeneous involvement of those parliaments in the regular monitoring of the guidelines adopted by their heads of state and government, or even by their government, at European level (see Table 4).

This parliamentary oversight is extremely specific in such countries as Denmark and Germany, but far less structured in, for example, Luxembourg and Romania.[6] Angela Merkel has regularly had to report to the Bundestag, whose decisions have often been awaited with a certain anxiety, whereas the French president is not even legally authorised to appear before the chambers of the French parliament, where he must delegate his presence to the prime minister or, more often than not, to the minister for European affairs. This variety is the product of constitutional choices and political ethics that are themselves extremely variable from one member state to the next. Yet such a situation is detrimental to the governance of both the EMU and the EU as a whole, because it is within the member states themselves that the «democracy deficit» associated with this governance is largest, given that numerous governments can take decisions which are of vital importance at European level without their action coming under any kind of scrutiny or being aired in any kind of in-depth public debate. In connection to this, it is a good thing that article 13 of the TSCG calls for a strengthening of national parliaments at the European level, but it would be just as useful if certain institutional and legal adjustments were to be made within those member states whose parliaments play an insufficiently strong role, in order to strengthen the democratic aspects of the EMU governance.[7]

5. For more precision on this issue, see: Menghi, (30 October 2014).
6. On these issues, see Rozenberg, et al. (January 2013).
7. On this issue, see also Stratulat, et al. (January 2014).

Table 4. Parliamentary monitoring of European Council and euro area summits				
Ex-ante / Ex-post	Reduced involvement	Committee	Plenary	Involvement both in committees and plenary
Reduced involvement	**Limited control model** Hungary, Luxemburg, Romania	**"Europe as usual"** Czech Republic, Estonia, Italy, Latvia, Poland, Slovakia	Netherlands	
Committee	Cyprus	**Expert model** Belgium, Finland, Lithuania, Slovenia	France	**Policy maker** Germany
Plenary	**Government Accountability** Bulgaria, Malta, Spain, UK	Austria, Sweden	**Public forum** Ireland	
Involvement both in committees and plenary	Greece	Portugal		**Full europeanisation** Denmark

Explanation: Reduced involvement = fewer than 3 meetings at European affairs committees (EACs) and fewer than 3 sessions in plenary from March 2011 to March 2012. Committee = 3 or more meetings at EACs and fewer than 3 sessions in plenary. Plenary = fewer than 3 meetings at EACs and 3 or more sessions in plenary. Involvement in both = 3 or more meetings at EACs and 3 or more sessions in plenary.
Source: Rozenberg, et al. (January 2013).

A "euro area subcommittee" in the European Parliament

A "euro area subcommittee" should first of all be established within the European Parliament, which would simply require the modification of its rules of procedure. Such subcommittees already exist in fields where the EU does not necessarily have more powers than in euro area governance, such as human rights or defence: it is therefore logical that a subcommittee of the same type could be established, for both functional and political reasons (the euro is a public good that is sufficiently valuable to merit a specific parliamentary group).

This subcommittee should principally be composed of European Parliament members sitting on the Economic and Monetary Affairs, Employment and Social Affairs and Budgets committees. For legal, political and philosophical reasons, this subcommittee should not be reserved for members of parliament elected within the euro area countries alone, but should be open to all members of parliament wishing to join it, up to a limit of 60 members, for legal (TEU articles 10.2 and 14.4), political (not to re-establish borders within the EP) and philosophical (all EU countries are concerned by the EMU) reasons.

The newly-elected MEPs did not take the decision to establish such a euro area subcommittee when they took office in summer 2014. But they could still do it in the near future via a simple modification of the EP internal rules of procedures.

A fully-fledged inter-parliamentary conference for the EMU

Better involvement of national parliament members in EMU governance should also be organised on the basis of article 13 of the TSCG, which provides for the establishment of a "conference of representatives of the relevant committees" of the national parliaments and of the European Parliament in order to discuss economic and fiscal issues. This does not mean creating a new European "institution", but rather providing the opportunity for national and European Parliament members to meet and discuss issues related to the EMU, in order to increase their level of involvement and mutual understanding.

The organisation of such a conference would be useful on two counts: it would allow greater involvement of national parliament members at EMU level, which would be helpful given their role in adopting euro area bailout plans and in decisions related to national fiscal and economic choices; and it would bring together representatives from all the specialised committees linked to EMU governance, in particular the Economic and Financial Affairs Committee, not just the European Affairs Committee. The mobilisation of six members per country would guarantee good representation of the committees and the political groups, up to a limit of 150 members. The 30 full member of the euro area committee of the European Parliament would also participate in the work of this conference. In short, this conference would play a role similar to that played by the COSAC, but in the sphere of the EMU, and should be both a forum for discussion and an influential stakeholder. This objective will naturally be easier to achieve if the conference has the necessary resources and publicity to strengthen and maintain the motivation of the national parliament members concerned.

From this perspective, the agreement reached by the parliaments on the occasion of their 2013 and 2014 meetings has shown the need for a much stronger organisation: it is because this conference will adopt genuine "rules of procedure"– describing the number of its members and the nature of its activities – that it will be able to play the useful role it has been given on the basis of a functional distribution of tasks between the parliaments.

Sharing tasks out among parliaments in a functional way

The parallel establishment of two parliamentary bodies dedicated to the euro area would only enhance the democratic dimension of EMU governance as it would be based on a functional (not a rigid or exclusive) distribution of tasks.[8] In addition to its contribution to the European Parliament's exercise of legislative powers, the euro area subcommittee could thus ensure comprehensive and continuous supervision of EMU positions and decisions and adopt resolutions on the decisions made by the executive authorities. For its part, the EMU inter-parliamentary conference could meet in the spring and autumn to adopt resolutions on national economic and fiscal strategies. These two bodies could also conduct regular hearings with euro area leaders. The euro area subcommittee would focus on European leaders while the EMU inter-parliamentary conference would put questions to national and intergovernmental leaders. Joint hearings could be conducted on an

8. For more detailed analysis and proposals on this subject, see Bertoncini (April 2013).

ad hoc basis, in particular for presidents of euro area summits and the Eurogroup.

The follow-up of decisions connected to the euro area's "fiscal capacities" should also be shared. For example, the monitoring of the use of bailout funds should be conducted by the EMU inter-parliamentary conference for the ESM, and by the euro area subcommittee for the EFSM. The supervision of European funds allocated to the implementation of national structural reforms or those from a possible "cyclical adjustment fund" would be attributed in relation to the origin of these funds: the inter-parliamentary conference for national funds, the euro area subcommittee for Europeanised funds, including the insistence on enhanced cooperation.

The creation of two parliamentary bodies dedicated to EMU governance could finally make it possible to think about the possible organisation of sharing mechanisms concerning the issuing of national debt (redemption funds, eurobills, euro bonds, etc.). In the short term, the EMU inter-parliamentary conference would undoubtedly be the ideal forum for discussing these issues, as today debts are issued at national level to finance budgets voted upon by national parliaments. The European Parliament euro area subcommittee should also explore the possibility of issuing common debt, in accordance with the terms of the agreement reached with the adoption of the two-pack. It is particularly important for it to be involved if euro bonds are issued to finance EU expenditure in the area of investment in trans-European networks, for example.

Conclusion

Citizens in the euro area's member countries have now taken on board a greater awareness of the specific rights and duties involved in membership of the monetary union. They have expressed contradictory concerns and resistances regarding these rights and duties: some of them consider that belonging to the euro area has brought excessive stringency, while others have shown their reluctance towards the solidarity mechanisms recently put in place. All in all, a majority of the citizens in each member country has confirmed its wish to remain in the euro area.

In this context, it is essential to underline that the euro area crisis has already generated a certain amount of progress in a democratic direction. Yet the process needs to be completed in order to ensure the legitimacy and effectiveness of the EMU's governance on the basis of the complementary guidelines set out in this article.

To be efficient, this kind of democratic process has to focus both on the *demos* and *kratos* dimensions of EMU governance, and even on its several *demoi* and *kratoi* dimensions: there is indeed neither a single *demos* nor a single *kratos* in the EMU. It is therefore through the combination of democratic actions to address the multi-dimensional issues at stake, including analytical pedagogy, institutional reforms and political accountability that the national and European actors will be able to restore and deepen the legitimacy and effectiveness of EMU governance, as well as the functioning of the EU in general.

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