Politization and executive dominance in Euro crisis decision-making: How Slovakia and Finland went from initial resistance to the approval of European rescue funds

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Introduction

It is often argued that with globalization “the capacity of nation-states to mediate between (...) the rights of citizens, on the one hand, and the evolving requirements of capital accumulation, on the other, has suffered profoundly (...) no government can govern today without paying very close attention to international constraints and obligations, in particular to obligations in financial markets forcing it to impose sacrifices on its population” (Streeck 2013, 282)\(^1\). The economic and financial crisis in the European Union (EU) further accentuated this complex challenge as a number of euro area governments found themselves between the Charybdis of probable financial collapse and the Scylla of unpopular austerity measures. Directing the ships through the troubled waters of the crisis, just as a beacon, the EU constituted itself as the lead political actor in coordinating member state decisions, which ultimately determined the particular political response governments were giving to the crisis individually and collectively as EU and/or euro area member states.

The euro area sovereign debt crisis, which developed against the background of a wider global financial and economic crisis (for a brief overview see Hodson and Puetter, 2013), had a great impact on the EU economic governance structure. This also had fundamental implications for the exercise of what this paper refers to as ‘European political citizenship’. This term is understood here not in a narrow sense as mainly the exercise of the right to vote in European Parliament (EP) or local elections but as the right to democratically control decisions which are inherently European as regards the way they are made and with regard to their scope and potential to influence policy and citizens’ lives across the Union. The crisis appears to have weakened the connection between economic governance and citizens. Therefore, the question of how far citizens can influence political decision-making in a multi-level polity became more acute than ever before. It is argued here that both the moving of political decision-making further away from the national context and to the European level in the form of tightened coordination of member state fiscal policies, and the greater reliance on executive as opposed to legislative procedures (see Holzhacker 2002; Curtin 2014a; Puetter 2014) have important ramifications for the exercise of political citizenship. Furthermore, as both the EP and the national parliaments seem to have been sidelined in important euro crisis management decisions (see Winzen 2012; Auel and Höing 2014), the core of ‘political citizenship’, namely to what extent citizens and their representatives were able to participate in actual decision-making processes (Schmitter 2001) is challenged. Consequently, there is a broader question of democratic control and EU economic governance that needs to be addressed. Despite the relevance of these developments the process through which ‘political citizenship’ became constrained in times of crisis remains surprisingly under-studied, even though some more recent contributions have started to address the perceived weakness of parliamentary actors. Yet, what is still missing is a better understanding of how financial market pressure

\(^1\) Nervous leaders await judgment of the markets, Financial Times, 12 December, 2011.
\(^4\) Emphasis added by the authors.
translates into political decision-making and in how far this impacts on the way political decisions are taken and thus on the exercise of European political citizenship.

**Figure 1. The impact of financial market developments on European citizenship**

The paper has two main objectives. First, it aims to identify how financial market developments constrain ‘political citizenship’ through the changed practices of EU decision-making under conditions of severe economic and financial crisis. To that end the paper proposes a working definition of ‘political citizenship’ which focuses on the notion of access to decision-making. This includes the right to participate in and to be informed about political decisions. Given the representative nature of European democracy the question arises to what extent citizens can rely on elected representatives who themselves can claim to have access to decision-making and who are in a position to make informed decisions? A theoretical framework is advanced to capture the link between financial market developments, political decision-making processes and the practice of ‘political citizenship’. The paper argues that EU crisis politics reveal constraints on the ability of citizens to make informed political choices. These constraints are not seen to materialize through an automatic mechanism by which certain market developments result in particular political decisions. Rather, political decision-making crucially relies on acts of interpretation of the causes and consequences of certain market developments and the expected influence political decisions may have on financial markets. This, the paper argues, explains the pivotal role that senior transnational technocratic elites play in this context. National as much as EU-level decision-making is dependent on such interpretations. Though the EU studies literature provides considerable evidence for the importance of transnational elite networks involving officials from the European Commission, the European Central Bank (ECB), national financial ministry officials and central bankers in EU economic governance, we still lack an understanding of how this particular administrative and political set-up plays out with regard to political decision-making both at
the national and the EU-level and how it impacts on the question of political citizenship. This paper aims to fill the gap and attempts to construct a theoretical framework which shows that a transnational elite network crucially matters also at the national level decision-making in times of crisis. It is especially this particular feature of EU economic governance which has consequences for the practice of ‘political citizenship’ understood as meaningful access to political decision-making.

In a second step, the paper puts forward a comparative case study of euro crisis decision-making in Slovakia and Finland within which the nexus between transnational technocratic elites, national executives, parliamentary control and EU decision-making is analyzed. The central role of transnational elites and financial market pressure as well as the lack of parliamentary resources to control euro area decision-making are quoted to have limited core political rights of European citizens. The situation is complicated by the fact that euro area economic governance cannot be controlled in its entirety by either the European Parliament (EP) or national parliaments. While the powers of the former are constrained because euro area economic governance is primarily based on a decentralized model of coordinated national policies, national parliaments struggle to come to terms with a web of executive relations at the intergovernmental level and which are concentrated around the Eurogroup, the European Council, and influence technocratic networks. Nevertheless, national parliaments play a crucial role in scrutinizing national and EU-level executives. Furthermore, as parliamentary elections are manifestations of the exercise of ‘political citizenship’ (i.e. it enables citizens to participate, vote and be informed about political decisions), exploring the link between transnational technocratic elites and national legislatures can help us better understand how citizens’ ability to make informed political choices about and have meaningful access to decision-making becomes constrained in times of crisis.

The paper unfolds as follows. First, a critical review of the existing academic discourse will be provided. Three different bodies of literature will be considered: political economy, epistemic communities and transnational executive decision-making within the EU, and the democratization literature. In the subsequent section, a conceptual framework will be advanced to better understand the relationship between market developments and political decision-making processes. Subsequently the paper turns to the empirical studies and highlights the most relevant lessons that can be drawn from the Slovakian and Finnish cases.

Before we turn to the literature review, it is important to emphasize that this paper does not aim to make a normative argument5. Even though it departs from the idea that ‘political citizenship’ was impacted negatively by the financial crisis, the paper does not propose concrete changes to the representation of citizens (see Cooper 2013; Crum and Fossum 2009) or to the role of the EP and national parliaments (Hurrelmann and DeBardeleben 2009; Neyer 2014). However, the paper’s analytical approach may well serve as a background to further normative debate.

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5 Although the concept of ‘citizenship’ has a normative reading, the paper focuses on the procedural aspects of the term which will be further elaborated on in the part on conceptualization.
Financial markets, political decision-making and the practice of ‘political citizenship’

The complex relationship between financial market developments, political decision-making and democratic control is addressed within different strands of scholarly literature. The spectrum runs from studies using a political economy perspective, through analyses on expert knowledge and transnational decision-making processes to broader research making inquiries into democracy and citizenship. This part reviews the findings and shortcomings of this literature as far as it is useful for understanding the link between crisis decision-making and political citizenship.

Political economy – incompatible logics of financial markets and democratic decision-making?

The central theme of the political economy literature is the complex relationship between capitalism and democracy, or more concretely, the tension between financial markets and political decision-making. In general, capitalism and democracy each follows a different logic, “one operating according to marginal productivity, or what is revealed as merit by a ‘free play of market forces’, and the other following social need or entitlement, as certified by the collective choices of democratic politics. Governments under democratic capitalism are under pressure to honour both principles simultaneously, although substantively the two almost never agree – and they can afford to neglect one in favour of the other only for a short time until they are punished by the consequences, political in the one case and economic in the other” (Streeck 2013, 265). This tension gains further relevance in exceptional times, as the latest financial and economic crisis in Europe demonstrated it. Yet, little is known about the actual procedures through which such a tension becomes manifest, the actors that are involved in these processes and the implications for the exercise of ‘political citizenship’.

The conflicting logics of capitalism and democracy are also closely connected to the notion of legitimacy. A focus on output legitimacy, that is functional and effective economic policies, can easily lead to an encroachment on input legitimacy (Scharpf 2013), especially in times of crisis. Therefore, greater concern about financial market developments may constrain the practice of ‘political citizenship’, that is the involvement in and the control of the policy-making process. Schmidt, on the other hand, stresses that beyond input legitimacy understood as participation by the people, and output legitimacy perceived as effective policy outcomes for the people, there is also throughput legitimacy which refers to “efficacy, accountability and transparency of the EU’s governance processes along with their inclusiveness and openness to consultation with the people” (Schmidt 2013, 2). Throughput legitimacy aims to understand the procedures between political input and policy output. Such a perspective seems to be particularly relevant to fostering the understanding of the link between financial market pressure and how particular decision-making patterns have unfolded in the context of the euro area sovereign debt crisis. However, Schmidt’s work focused mainly on members of the civil society and their role in throughput policy-making, and her framework did not specifically address the economic and financial crisis either.

Last but not least, the notion of input and output legitimacy directly speaks to the idea of responsive and responsible government. “[A]lthough responsiveness and responsibility are both generally seen as desirable (...) they are also increasingly incompatible, in that prudence and consistency, as well as accountability, require conforming to external constraints and legacies and not just to public opinion, and these external constraints and legacies have grown in weight in recent years, while public opinion, in its turn, has become harder and harder to read” (Mair 2013, 161-162). Yet, we still know very little about the mechanisms that accentuate such incompatibility. At the empirical level, governments are witnessed no
longer being able to use the wide range of policy instruments that they formerly employed (Schmidt 2002, 23). Furthermore, “citizens increasingly perceive their national governments not as their agents, but as those of other states or of international organizations, such as the IMF or the European Union, organizations that are immeasurably more insulated from electoral pressure than was the traditional nation-state” (Streeck, 2013, 283).

**From epistemic communities to deliberative intergovernmentalism – EU economic governance and the role of technocratic elites**

For long, it was argued that systemic conditions and domestic pressures imposed constraints on state behavior, and a network of professionals provided information and interpretation for decision-makers to resolve problems of considerable complexity under uncertainty (Haas 1992). These ‘epistemic communities’ had a role in policy innovation, policy diffusion, policy selection, and policy persistence as well (Adler and Haas 1992). Nevertheless, it remained unexplained whether these epistemic communities would emphasize the ‘market logic’ over the ‘democratic’ one in case of a potential collusion. Even though, the literature stresses the importance of the linkage between experts and decision-makers (e.g. Verdun 1999), as Galbreath and McEvoy (2013) argue, it is little known how decision-makers learn from epistemic communities and therefore how the actual decision-making process is influenced and what impact this should have on the exercise of ‘political citizenship’.

More recently, part of our own research has demonstrated that under certain conditions one needs to reconsider or at least adapt this understanding of the role of transnational technocratic elite networks in EU economic governance. While there is ample evidence that during the early stages of the Economic and Monetary Union (EMU) elites were able to lead on technocratic issues and influence decision-making, as for example characterized by Radaelli (1999), this image of technocratic decision-making became challenged more recently. Especially the debates around the Stability and Growth Pact (SGP) through the 2000s revealed a growing politicization of EU economic governance. This was first detectable with the direct interventions of individual heads of states and governments and the European Council as a whole into SGP related decision-making on fiscal policy objectives and the character of the pact itself (Hodson 2011, 2014). This trend was dramatically reinforced during the financial crisis.

In other words, there is no lack of political attention. Yet, financial and economic governance continue to depict features which inevitably invite the influence of technocratic elites and secretive decision-making. It is the configuration of actor groups and their respective role which has to be reconsidered. The most important feature of euro area governance in this regard is the unprecedented intensification of policy deliberation at the highest political level. Especially, the European Council and the Eurogroup are at the heart of a political dynamic which can be best characterized as ‘deliberative intergovernmentalism’ (Puetter 2012, 2014). In this context the most senior executive decision-makers of the member states, the Commission and the ECB determine key policy decisions collectively through permanent and ongoing policy deliberations. This practice by no means diminishes the role of transnational technocratic elite networks but modifies them – which has important consequences for the question of political control and European ‘political citizenship’. First, deliberative practices and the formation of a transnational political consensus are by no means constrained to circles of bureaucrats in EU economic governance but are traceable at the highest political level. This form of politicization may lead to the modification of decisions prepared by bureaucratic elites, yet this practice represents an enormous
empowerment of key executive actors in relation to national parliaments and the EP as well as in relation to European citizens. As the heads of state or government and finance ministers tend to represent political decision-making authority at the national level they are both capable and willing to make more far reaching decisions at the EU level than this was previously the case in the context of a more technocratic decision-making set-up. Second, the new decision-making practice brings transnational bureaucratic elites back into the set-up of EU economic governance as the concentration of political debate which it provokes at the EU-level implies the need for increasing preparatory activities and improving policy advice capacities where they are now most required. There is clear evidence that both the European Council and the Eurogroup have commissioned the expansion of and, effectively, used the already existing transnational bureaucratic networks such as the EFC, the Eurogroup Working Group (EWG) and various working links between national finance ministries in the context of crisis decision-making (Puettter 2014, 111-132 and 192-194). Third, the practice of deliberative intergovernmentalism which implies collective decision-making among the most senior political executives of the EU member states reinforces a system of technocratic policy advice which is geared towards a collective rather than a single national context of decision-making, i.e. one should expect a decline in the plurality of leading interpretations of what constitutes an appropriate policy response to certain financial developments if viewed across EU member states. This process naturally has great implications for the exercise of ‘political citizenship’ which this paper aims to uncover.

Democratization – transparency, accountability and the role of national parliaments

The executive dominance mentioned in the previous part can also be found in the latest research on democratization within the EU (Curtin et al. 2013; Crum 2013; Curtin 2014a, 2014b) which focuses on accountability and transparency and therefore shares some ground with the throughput legitimacy concept as well. The democratization literature argues that the executive dominance at the EU and member-state levels poses a key challenge to accountability and democratic control. Secrecy applied by executives is used to obstruct “the standard mechanisms for oversight utilized by representative democracies – elections, public opinion and deliberation” (Curtin 2014b, 687). Although Curtin’s work focuses on foreign policy, she argues that this tendency intensifies during times of emergency. Naturally, it can be witnessed in the area of economic governance as well. In fact, the financial and economic crisis often forced national parliaments to the side as the executive level did not provide them with substantial and timely information so that they could influence decision-making. This has important consequences for the exercise of ‘political citizenship’, as meaningful participation in actual decisions is obviously constrained under such circumstances. In fact, talking about the role of national parliaments in democratic accountability, it is argued, that “whatever access they have to European politics is mostly filtered through their own executives” (Curtin 2014a, 17). If one is premised on an understanding of representative, deliberative democracy, clearly these developments exercise some constraints on the openness of the decision-making process, and therefore impact negatively on the exercise of political citizenship. It is important to trace this empirically.

Executive dominance as a changed governance method clearly has an impact on parliamentary scrutiny, and thus the meaningful exercise of ‘political citizenship’. Winzen (2012) claims that parliamentary control, understood as the ability of parliaments to make governments act according to their preferences, depends on three key variables: access to and processing of information, and the enforcement of parliamentary preferences for EU negotiations. He shows that parliamentary control has increased, however, “not only the overall levels of parliamentary control vary, but also the composition of instruments,
parliaments use” (Winzen 2012, 668). Cooper (2013) argues along the same line, and demonstrates that national parliaments gained powers vis-à-vis their governments in European affairs through the introduction of the Early Warning Mechanism (EWM) which blurred the agent-principal relationship between them. It is claimed that parliaments “are not merely a representative channel linking the citizen to the EU (…) but a representative body at the EU level, alongside the EP and the Council” (Cooper 2013, 532), and in fact, the EWM “creates a third chain of representation linking the citizen with the EU” (Cooper 2013, 533). However, it is questionable to what extent this third chain allows citizens a meaningful access to actual political decision-making. In fact, Hurrelmann and DeBardeleben (2009) argue that the different channels of representation within the EU are deficient in guaranteeing citizen preferences in EU-level political decisions. Crum (2013) claims that this is due to the trilemma expressed by Rodrik that exists between democracy, national determination and economic globalization which clearly affects the euro area. As one can only pursue two of these three goals simultaneously, it is expected that a growing emphasis on economic globalization and national determination shall have a negative effect on democratic control over the procedures, therefore questioning the meaningful exercise of ‘political citizenship’. “Nowhere (…) are parliaments provided with any substantial powers to review or amend the agreements of the governments” (Crum 2013, 622). At this point, the difference between creditor and debtor states may have some importance, a point picked up in the study by Auel and Höing (2014). Focusing on the effects of the financial crisis, they argue that parliamentary authority was seriously challenged through increased intergovernmental policy coordination. However, despite the increased threat of losing authority, “it seems that the crisis has neither significantly increased nor limited the use of parliamentary instruments in EU affairs” (Auel and Höing 2014, 1187). They show differences between debtor and creditor parliaments in trying to influence their governments. A new development, also provisioned by Winzen (2012) and Auel (2007) is a shift of parliamentary attention from policy output to negotiation conduct and politicization which is reflected in the increased number of parliamentary debates on the topic of crisis management. What is missing from these accounts is the actual explanation of how executive dominance impacts of parliamentary control and therefore on the meaningful exercise of ‘political citizenship’.

The close connection between parliamentary scrutiny and ‘political citizenship’ has lately been suggested by the German Constitutional Court in relation to the crisis politics. On 28 February, 2012, the court ruled that the provisions under the European Stability Mechanism (ESM) according to which in cases of particular urgency and confidentiality, the German Parliament’s (or Bundestag) competences to decide on measures of the European Financial Stability Facility (EFSF) “shall be exercised by a committee elected from among the members of the Budget Committee” was in violation of the Basic Law (or Grundgesetz). Additionally, on 19 June, 2012, the constitutional court held7 that Article 23 of the Basic Law which guarantees the German Parliament far-reaching rights of participation and rights to be informed in matters concerning the European Union has been infringed as the government failed to provide information that would have made it possible for the Bundestag to influence the opinion-forming of the federal government early and effectively with regard to the ESM and the Euro Plus Pact. The court’s decision of 12 September, 20128 restated and further fine-tuned these previous rulings.9 There were similar court decisions in other

9 It simply called the attention to the requirement of the Bundestag’s right to information, and constrained the liability of Germany with regard to payment obligations in the ESM framework.
member states concerning the impact of the financial crisis as well (e.g. Slovenia, Estonia, France, Ireland, see Huber, 2014) which all seem to highlight an interesting puzzle. Namely, politics is being increasingly constrained by a pressure coming from financial markets which in turn limits core political rights of EU citizens.

The practice of ‘political citizenship’ – an access-oriented approach

The concept ‘European citizenship’, so far, has been mainly approached from an economic, social, equality and fundamental rights perspective which are all derived from the expanding case law and acquis of citizenship rights within the EU (see Jacobs 2007; Besson and Utzinger 2007; Sanchez 2014). However, the term ‘citizenship’ is generally conceptualized as a membership of a political community and is composed of three main elements: (1) rights (e.g. civil, political, social, etc.), (2) access (participation in the political and welfare state), and (3) belonging (identity and a legal marker of in and out) (Shaw 2007, 19; also Olsen 2008). With regard to EU decision-making the first element - in this case political rights - may seem the most promising. Indeed, the EU defines political rights of the Union’s citizens in relation to EU policy-making through the right to participate in EP elections. Yet, as highlighted earlier EU economic governance can hardly be considered a classic community method policy which would grant full legislative powers to the EP. The EP may not be an irrelevant actor but national law-makers certainly have a crucial role in exercising political control. The question thus is not whether core political rights exist or not - they do - but how the role of national parliaments and EP plays out in practice. Here, access as the second element of citizenship, requires further evaluation too. In other words, this paper turns to the contemporary practice of political citizenship in the EU.  

Schmitter (2001, 92) argues that “some theories of democratic citizenship would go a good deal further than merely ensuring the opportunity for participation and openness”. Consequently, the paper goes beyond a purely legal or narrow understanding of European political citizenship and uses a more comprehensive concept which will be composed of different political rights nevertheless, most importantly (1) the right to vote, (2) the right to participate, and (3) the right to information. However, it is claimed that access, understood as the “meaningfulness and hence the integrative power of formal rights”11 (Shaw 2007, 19) also matters when it comes to the practice of European political citizenship and the constraints thereof. In other words, there has to be a qualitative assessment of the different rights through which the actual practice of political citizenship can be evaluated: voting, participation, and the availability of information has to be meaningful. Consequently, this paper conceptualizes political citizenship as meaningful access to the political decision-making process and investigates how financial market developments in times of crisis have impacted on the latter.

It is not suggested here that financial market developments eliminate the above-mentioned rights in times of crisis, rather it is argued that they impact on the access feature influencing negatively the meaningful exercise of those rights. As the right to vote is not contested the question is to what extent there are competing alternatives with regards to the major political decisions. In a similar manner, the right to

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10 This paper relates to research carried out in Work Package 8 under the FP7 research consortium ‘bEUcitizen’ (grant agreement number 320294) which aims to understand how political citizenship might have been constrained due to EU-level decision-making processes, an ever bigger emphasis on other rights, and the decisions of the European Court of Justice (ECJ).

11 Emphasis added by the authors.
participate exists, however, access to the actual decision-making process might be limited, which then necessitates a closer inspection of the link between the executive branch and the national parliaments. Last, but not least, the right to information is formally intact, yet access to information which is required to be able to make decisions might be constrained, which in turn, directs our attention to the channels between decision-makers and parliamentarians.

Financial market constraints on ‘political citizenship’ – a theoretical framework with preliminary hypotheses and operationalization

This paper uses the term ‘financial market developments’ as a reference to changes in markets closely related to the financial sector. In relation to the euro crisis it particularly considers the role financial markets play in relation to sovereign debt and general economic development. While the latter always is a concern for governments difficulties in financing sovereign debt can constitute a particularly aggressive feedback loop for political decision-makers as the ability of the state to act becomes heavily constrained or even fundamentally threatened. Changes in government debt ratios to GDP, in deficit to GDP levels, and in long-term interest rates on government bonds are thus key market indicators closely watched by financiers and political leaders alike. Yet, market data provides little certainty on what debt ratios are sustainable and how dramatic challenges to political authority can be and how these challenges in turn can lead to a (further) deterioration of market confidence. The track record of EMU economic governance, as much as the track record of many sovereign debt issues around the globe, shows how much scope there is when it comes to the markets accepting increased levels of government debt. Vice versa, governments’ own attempts to manage market expectation through self-declared restraint on spending and borrowing at best help mediate market reactions, they hardly make them predictable. A further particularity of EMU economic governance is that it represents a system of dispersed decision-making authority rather than centralized power. Expectations towards the ability of the euro area to act collectively and decisively thus become a standalone input into considerations by market participants. Again, this invites mediation between market participants and political actors. In other words, market pressure as such is both a very concrete and very abstract input to political decision-making. The first hypothesis advanced by this paper reflects this mechanism as follows:

Hypothesis 1: Financial market developments do not automatically translate into political decisions at times of crisis. Rather, they require an interpretation.

The political interpretation of market pressure in turn is crucially mitigated by core technocratic elites. High-level politicization, i.e. the direct intervention of the most senior representatives of member state governments and the EU institutions, presupposes a quest for credible policy decisions which appear as economically necessary and rational - even though this rationality may de facto be impossible to determine. This idea connects the literature on the role of technocratic elites in EU governance and more recent research on high-level political control in this area. The relevant technocratic elite is made up of people working within national finance ministries who are closely linked with their counterparts in the EU institutions and other member states. These technocrats typically enjoy direct access to their respective

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12 ‘Financial market’ is used as a catch-all concept for the different markets in the financial sector (e.g. capital markets such as stock markets and bond markets; commodity markets, money markets, etc.). In general, financial markets bring together lenders and borrowers often with the help of financial intermediaries, such as banks, insurance companies, etc.
finance minister and the Prime Minister. This group notably includes the members of the EU’s Economic and Finance Committee (EFC) and its euro area off-spring, the Eurogroup Working Group (EWG). It also involves other senior staff within ministries of finance, the ECB and the national central banks. This paper investigates the nexus between financial markets, technocratic elites and political decision-making through a set of semi-structured interviews with members of the two latter groups. - The second hypothesis thus refers to the link between political and technocratic decision-making:

*Hypothesis 2: Transnational technocratic elites play a crucial role in interpreting financial market developments with regard to what constitutes appropriate political responses. This pattern implies a constraint on political citizenship not through the elimination of certain rights, but rather through the limitation imposed on the meaningful exercise of these same rights. This concerns in particular the right to vote, the right to participate and the right to be informed.*

Voting remains meaningful as far as there are competing voices with regards to responses to financial market developments. A big challenge to political competition is the EU’s practice of deliberative intergovernmentalism. As decentralized governance heavily relies on consensus this ultimately narrows the political alternatives advocated by the main political actors. Here again, the research findings presented in this paper reveal the extent to which the views of the most important actors converged on the issue of crisis management. It is shown that closer ties between political decision-makers and technocrats create more incentives within party caucuses to agree to a convergence of views.

The right to participate is mainly affected through the role of political representatives in crisis related decision-making. The empowerment of both Europe’s top political executive leadership and technocratic elites in identifying crisis responses challenges the role of parliamentarians. As outlined above, the research literature has already gone some way in explaining limitations to parliamentary control especially at the national level through the lack of formal intervention rights. Did they have to pass enabling legislation with regards to the major Euro crisis management measures? Were there special hearings in committee settings or in plenary sessions that addressed the issue and tried to control the government? Did they have to give special mandate to the executive for negotiations at the EU-level decision-making? To what extent did national parliaments turn to the Early Warning Mechanism (EWM) to counterbalance executive decision-making? These questions are addressed in the research supporting this paper too. Yet, it is important to go further and understand cases in which formally national parliaments were procedurally empowered to sanction government choices.

This aspect also relates to the right to be informed which. It is suggested here that as interpreters of financial market pressure technocrats play a crucial role in providing and thus deciding about information. The case studies are intended to reveal the extent to which information was channeled through the European network of technocrat elites, and the nature of such information. Moreover, it is important to see how the political executive is able to control and determine the provision of this information to other actors. Furthermore, it is also relevant to assess the level of capacity of national parliaments to counterbalance the potential information asymmetry.

**A comparative case study – Slovakia and Finland**

This study is part of a bigger comparative research. As the theoretical framework focuses on the context of the financial crisis, our comparative case study is composed of euro area member states. Namely, Finland,
Germany, Italy, Portugal and Slovakia. These countries differ from one another regarding a number of aspects. Geographically we find Northern, Southern, Eastern and Western member states in the list. Furthermore, their size, economic output, and length of EU and euro area membership also varies. There are both creditor and debtor countries in the selected cases, and they also vary in terms of parliamentary and governing stability (i.e. Germany can be considered as very stable whereas Italy or Slovakia fall on the other end of the spectrum). The selected countries are also different based on the formal powers they give to their national parliaments with regard to their control capacities vis-à-vis the governments (see Auel and Höing 2014).

The research base consists of personal interviews with members of the different constituencies identified above, official documents and media coverage. On the other hand, to be able to construct the most relevant quantitative data, the case study shall turn to already existing databases (e.g. IPEX database on parliamentary scrutiny of EU legislative acts).

**Slovakia**

Slovakia entered the euro area on January 1, 2009. The introduction of the new currency was not uncontested in domestic politics. Earlier on the government under Mikuláš Dzurinda (2002-2006) was determined to join the euro area and took a number of necessary fiscal policy steps to ensure euro area accession. The entry of Robert Fico into power almost proved to be a challenge for the set path. At one point, the new Prime Minister questioned the date of introduction of the euro, and showed interest in postponing the transition to the new currency as people started to strongly oppose structural reforms to meet the Maastricht criteria which in turn caused pressure on the then still existing Slovak currency.

In July, 2010, even though Fico’s Smer party remained the strongest in the National Council a new centre-right coalition government led by Prime Minister Iveta Radicová was formed (Slovak Democratic and Christian Union [SDKU-DS]; Freedom and Solidarity [SaS]; Christian Democratic Movement [KDH]; Most-Híd). The government ran on a platform of fiscal discipline as deficit levels had increased between 2008 and 2010 due partly to the early implications of the global financial crisis. There was a considerable growth in public expenditure though unlike in other EU countries Slovakian banks were in good condition. In this context the crisis developed into a euro area sovereign debt crisis and EU crisis management started in earnest including the launch of financial support mechanisms for crisis-hit countries. As a euro area member state, the new government had to balance between European and national fiscal requirements which were often in conflict.

Euro crisis policy-making certainly did not suffer from a lack of domestic political attention. Key partners of the new Radicová government had advocated the rejection of the first Greek bailout in 2010 and did so after the election victory. This incident represented an unusual example of non-consensus politics in the euro crisis context. It indeed shows that a direct link between voting and political decision-making was created. The situation became more complex with the establishment of both the temporary European

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13 Which also effectively tied the hands of future government. One such example was Slovakia’s joining the ERM II in November, 2005.

14 Slovakia’s national parliament.

15 Based on MS01-EXE01 over-the-phone interview conducted in Budapest, 29 October, 2014. Also based on MS01-JOUR01, over-the-phone interview conducted in Budapest, 19 November, 2014.

16 For an overview of key crisis management decisions see Hodson and Puettet (2013).
Financial Stability Facility (EFSF) and the later and permanent European Stability Mechanism (ESM). Difficulties in creating sufficient political support within the governing coalition were strikingly evident. Yet, the initial launch of the EFSF found political approval. The biggest tension among the coalition partners was revealed during the debates on the extension of the EFSF fund. Eventually, the Freedom and Solidarity Party refused to back the rescue fund proposal. Yet, Prime Minister Radicová had made a personal pledge in the European Council to do whatever it takes to ensure Slovakia’s participation in the enhanced support mechanism. On October 11, 2011 she lost a confidence vote which was connected to the proposal. Two days later Slovakia approved the bailout package with the help of Robert Fico’s Smer party - the key opposition force. This put an end to Radicová’s political career. As one government official remembered, Radicová had been in a very delicate position throughout her term: “there was a chained pressure mechanism: financial markets influenced the EU which was reflected in the creation of the European Stability Mechanism (ESM)\(^\text{17}\), then the EU influenced Slovakia mostly through the European Council [to accept the new bailout instruments]\(^\text{18}\).

EU-level mobilization around the EFSF became a determining input into Slovakian domestic politics, notably through top-level influence exercised by the European Council in relation to the Slovakian Prime Minister. There was an interplay of executive-level EU coordination and financial market pressures which left a limited role for parliamentary politics. The Prime Minister’s Office increasingly got involved in euro crisis management through Sherpa meetings, the gatherings of personal representatives of the EU’s heads of state or government in charge of the preparation of European Council meetings. Not only did the Finance Minister, Ivan Miklos have a strong position within the Prime Minister’s Office, the ministry itself adopted a practice where, according to a former government official, not more than four people decided on the most critical issues\(^\text{19}\). As one interviewee argued, “the ministry very much acted as a scientific committee with technocrats…consequently, there was very little democracy going around, which also had a great impact on the parliament”\(^\text{20}\). With the Radicová government, slowly but surely, it became clear, that a handful of technocrats, namely officials in the Eurogroup, the European Central Bank and the European Commission and also members of the EU’s Economic and Finance Committee (EFC), and its euro area arm, the Eurogroup Working Group (EWG), played a major role in informing decision-makers and therefore influencing policy outcomes. As shown before, this process was partly due to the fact that the issues at hand were becoming highly technical and complex (e.g. banking regulation, reforms of the SGP).

As far as the information was concerned that ministry personnel had to work with, it came mainly from the EFC meetings. As a former official put it, “about 65% came from that source, and an additional 15% from informal meetings such as lunches where real issues were being discussed…also side-meetings with important, essentially big countries played an important role”\(^\text{21}\). Additionally, the ECB, the Commission, and the newly established European Supervisory Authorities provided information as well. There was a considerable information asymmetry between countries, and also within countries between the executive and legislative branches of government. The above-mentioned technocratic elite collected, scanned and filtered most of the information it received. However, it was not the executive, but the

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\(^{17}\) Although the interview refers to the ESM, given the time-period and the longer quote which makes reference to a government coalition, it is rather about the EFSF.

\(^{18}\) MS01-EXE03, personal interview conducted in Bratislava, 14 November, 2014.

\(^{19}\) MS01-EXE04, personal interview conducted in Bratislava, 3 December, 2014.

\(^{20}\) MS01-EXE04, personal interview conducted in Bratislava, 3 December, 2014.

\(^{21}\) MS01-EXE04, personal interview conducted in Bratislava, 3 December, 2014.
legislative branch which was most negatively impacted by this process of ‘interpretation’. As one official in the Finance Ministry argued: “As for the parliament, and its committees, all documents sent to parliament had to go through me first. I had the responsibility to translate it into a language which was both comprehensible and flexible enough. There were often sensitive information (...) we did not want parliamentarians running around with these information to play it to their political advantage”22. Consequently, as debates became more technical, this technocratic elite played an ever bigger role in influencing decisions, partly at the cost of the parliament, which was less and less capable of controlling the government. Time was also a key factor that constrained the powers of the parliament in checking the government. Even though technocrats appeared in front of the EU affairs committee or even in joint committees (with the finance committee), the events were moving so fast, and issues became so complicated that it was extremely hard for the parliament to keep up with the developments. In sum, our research shows how key members of the EU’s technocratic elite served as filters in the information flow during the crisis. They were the main sources of information to which not only governmental but also parliamentary officials turned to. However, the latter group received considerably less information than senior members of the national executive.

The parliament in general and the EU affairs committee in particular found itself in a particular situation when it came to euro area decision-making. As one senior member of the parliament working in the EU affairs committee argued: “the EU affairs committee only played a formal role (...) there was really no time to discuss important questions, and we had no strong influence (...) after the [Radicová] government fell, the [financial assistance mechanism] issue should have been debated in the plenary session, instead it was pushed through the committee, which was a clear proof of democratic deficit (...) key documents were created by special working groups in finance ministries [all around Europe], and even though parliaments received these documents, there was no chance of changing wording or substance...you could proceed simply according to the rule of ‘take it or leave it’”23. Informally, the chairmen of the governing coalition parties often held discussions trying to iron out positions with regard to EU economic governance which showed the relevance of party politics within the Slovak context. In fact, it was domestic party politics that brought the collapse of the Radicová government, which presents an additional factor in the EU crisis management in Slovakia. Party politics also often impacted on the parliamentary working methods. As it was explained by government officials, the parliament was often discussing issues ‘outside’.

In general, political citizenship understood as meaningful access to political decision-making has been constrained on two accounts in the Slovakian euro crisis decision-making context despite a high level of politicization around the issues at stake: both the right to participate and the right to information can be considered as having been compromised in some way. This was most visible with regard to the role of parliamentary actors who – despite the focus on euro crisis politics and the centrality of the issue in political competition – found it difficult to exercise core participatory functions in a meaningful way. The very dynamics and the importance of close EU-level policy coordination in the field of euro area governance are closely linked to this problem as they give centrality to a transnational EU technocratic elite network which serves as the main interlocutor for key executive actors at the national level and strongly influences the emergence of policy options.

22 MS01-EXE04, personal interview conducted in Bratislava, 3 December, 2014.
23 MS01-LEG03, personal interview conducted in Bratislava, 3 February, 2015.
**Finland**

Finland has been a member of the euro area since 2002. During the period of 2010-2012 market pressure was strongly felt by decision-makers. As one government official put it: “During April-May, 2010 when a big loan was expiring in Greece and insolvency became an issue, there was a feeling that we must do whatever it takes so markets won’t go crazy”\(^{24}\). As a parliamentary official further explained, “pressure often came in an indirect form where developments abroad were *translated* into a reflection on the future of Finland”\(^{25}\). Such interpretations were generally carried out by Finnish officials from the Ministry of Finance who were members of the wider European transnational technocratic elite network around the EFC/EWG and the ECB. Even though market pressure was a strong determinant for this elite, as one government official argued they “also considered other factors in their decisions which were essential, such as political feasibility”\(^{26}\). Moreover, technocratic elites closely interacted with top-level decision-makers.

A close working relationship existed between the Ministry of Finance and the Prime Minister’s Office (PMO). This was facilitated by the simple fact that the Ministry of Finance and the PMO share the same building. The PMO did not get heavily involved with most of the issues, unless it was about principles and more high-level political decisions. As one finance ministry official argued, “our work was quite independent, and there was no need for greater involvement [of the PMO] as there was a clear understanding within the Ministry [of Finance] of what the Finnish interests were”\(^{27}\). Government officials claimed that not only was there a good working relationship between the Minister of Finance and the Prime Minister, but it was often the guarantee to work out possible disputes between the coalition partners when sensitive questions were put to the table (e.g. when Spain started asking for a bailout of its banks, and there was a growing fear that the series of bailout approvals would not end). This was made possible thanks to the tradition that distributes the two positions to different parties (the two biggest in the coalition government).

The narrative emerging from the interviews with Finnish policy-makers confirms the centrality of key European technocratic elites, which was detected in the Slovakian case. The EFC Secretariat in particular is seen to have often determined the major line of argument ahead of political decision-making through its proposals for action. Moreover, within the group of EFC members, it was reported that “there were 5-10 people of this key elite making the real decisions”\(^{28}\). This smaller group of “EFC and Alternate members started to get close relations, and it became clear that they would not need formal meetings to discuss major issues”\(^{29}\). In general, EFC/EWG members were responsible for preparing memorandums summarizing the proposals put forward at the EU level, and consequently could influence the positions of the Finnish government in various debates. The Finnish Ministry of Finance did not revert to outside expertise to counterbalance the dominant position this EU-level network of technocrats, instead they relied on analysis coming from Brussels (EFC, ECB) and their own analytical units.\(^{30}\) Even though the Finnish parliament organized hearings for several outside experts who had no affiliation with either the Ministry of Finance or the EU-level networks, as one official put it “they [the experts] only influenced people’s

\(^{24}\) Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\(^{25}\) Based on MS02-LEG01 personal interview conducted in Helsinki, 27 January, 2015. Emphasis added by the authors.
\(^{26}\) Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\(^{27}\) Based on MS02-EXE02 personal interview conducted in Helsinki, 27 January, 2015.
\(^{28}\) Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\(^{29}\) Based on MS02-EXE02 personal interview conducted in Helsinki, 27 January, 2015.
\(^{30}\) Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
opinions, but not really the actual decisions...these experts were still out of the loop.”\textsuperscript{31} And the same official continued to explain that policy issues in some cases were quite specific and complex which made it difficult for outside experts to get deeply involved with decisions. Especially technical aspects of EU legislative issues were quoted as a barrier to involvement. In turn, the Ministry of Finance itself “tried to influence a targeted group of experts in a way by providing them with some background information on the most relevant issues, which was essential when time was such a pressing issue.”\textsuperscript{32}

The dominant role of the transnational technocratic elite network mentioned above was also reflected in the practice where, similar to the experts, the Finnish parliament had to rely on the resources of the Ministry of Finance. This often led to a situation where the Eduskunta lacked complete information. As it was expressed, there was a language, a time and an access problem that the parliament faced.\textsuperscript{33} First, the members of the Grand Committee, which is the committee responsible for all EU related measures, have a tradition to read documents in Finnish. These parliamentarians expressed no real interest in original English documents, even though the Ministry of Finance was willing to provide them according to a high ranking government official.\textsuperscript{34} This willingness is also traceable in the occasions where market sensitive information was shared with the members of the Grand Committee, which was accompanied by a confidentiality order to avoid any misuse. At the end, it was the Ministry of Finance that prepared a memo with a detailed history of a particular policy file and background information on how the minister wanted to act in the Eurogroup. Secondly, as for access and time management, it was argued by one government official that there was a strong working relationship between the Minister of Finance and the head of the Grand Committee. Information between them was often exchanged through the phone and documentation was prepared later. In order to ensure access for the Grand Committee to decisions, “it was expected that the head of the Grand Committee be reachable at all times during Eurogroup meetings”\textsuperscript{35}. In fact, such informal phone calls became extremely relevant during times when a mandate was required for the minister to give consent to EU level agreements. One such occasion was an informal, off-the-book meeting of the Grand Committee which was held during May, 2010 where continuous feedback was provided by the committee to the minister sitting in the Eurogroup meeting. Documentation was also sent through fax (as the Justus Lipsius building does not allow phone networks), and members of the committee exchanged ideas per email.

As for the role of the parliament in general according to one Finnish law-maker, “the Finnish case is an outlier in terms of parliamentary involvement in EU affairs. (...) The parliament had the constitutional right to get information and also the willingness to use it.”\textsuperscript{36} The Grand Committee enjoys strong democratic legitimacy which requires more coordination with governmental decision-making. As one government official argued, “the European Commission and the EFC Secretariat gradually learned to know that we needed the backing from our parliament before we could commit ourselves to anything.”\textsuperscript{37} In fact, ministerial memos were prepared in a way that proposals always reflected the presumed position of the parliament, and they always tried to defend the budgetary sovereignty of the legislation. Every EU-level

\textsuperscript{31} Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\textsuperscript{32} As these experts were often interviewed in the Finnish national media, and they needed basic information to be able to comment on certain matters. Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\textsuperscript{33} Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\textsuperscript{34} Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\textsuperscript{35} Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.
\textsuperscript{36} Based on MS02-LEG01 personal interview conducted in Helsinki, 27 January, 2015.
\textsuperscript{37} Based on MS02-EXE02 personal interview conducted in Helsinki, 27 January, 2015.
proposal that went above a certain constitutional relevance had to go through the Grand Committee, which then authorized the Finnish position that the government was supposed to represent in the Council. The committee always issued a formal mandate. As a parliamentary official argued, “the parliament has gradually become more contentious. (...) Previously it was more about the tradition of consensus-building between coalition partners.”\(^{38}\) The link between the Ministry of Finance and the Grand Committee manifested itself in different levels: the minister was in contact with the chairman while a senior civil servant (usually a state secretary or the Director of the EU Affairs in the Ministry of Finance) kept close relations with the Counsel of the Grand Committee. The main purpose of these links was to exchange information. The underlying purpose was to confirm that the minister had the support of the majority in the committee. However, as a parliamentary official put it, “the EU’s crisis meetings were ‘take it or leave it’ situations where the Grand Committee would not have been able to order the minister to renegotiate detailed terms in Eurogroup meetings”\(^{39}\). Even though the Grand Committee held a small number of exceptional hearings, it did use the documentation from sectoral committees of the Finnish parliament, such as the Budget and Finance Committee. This provided an opportunity for economists, constitutional experts and EU lawyers to debate and allowed politicians to find support for their views. The hearings did make the Grand Committee more visible, which was different to the practice before the crisis.

All in all, the practice of European political citizenship was less constrained in Finland as it was in Slovakia. Yet, here too the pan-European technocratic elite network played a major role in interpreting financial market developments in a very similar way as it could be observed for the Slovakian case. However, the Finnish parliament was not sidelined to the extent of the Slovakian parliament. Given the procedural aspects and prerogatives of the Eduskunta, it was more prominently involved in decisions, which was often reflected in the formal mandates it gave to the government. Interestingly though, members of the Grand Committee partially self-inflicted limitations on obtaining more complete information before major decisions were made at the governmental level. This happened despite the fact that the link between the Grand Committee and the Ministry of Finance became stronger. Consequently, even though the Finnish Parliament possessed greater rights in terms of checking the actions of the government as its Slovakian counterpart, it chose not to use these powers. In this sense, neither the right to information, nor the right to participate was formally constrained in Finland, yet its effective limitation was self-inflicted. As for the right to vote, even though at the beginning coalition governments managed to maintain a convergence of views, critical voices gained much more support in Finland than in Slovakia over time. Similar to the Slovakian case, the most relevant EU-level decisions from the Greek bailout through increased fiscal surveillance and the possibility of a European financial transaction tax to the creation of a banking union were highly politicized in Finland. At first, the coalition government ensured a common position, despite the fact that “the Left Alliance was very difficult to go with some decisions, while the Social Democrats first opposed the bailout, but once in government, their position changed slightly allowing for a bailout provided there was some collateral”\(^{40}\), as one official argued. In general, the crisis tested the internal cohesion of government parties and impacted on partisan competition in Finland. It was the euro-sceptic True Finns Party which took full advantage of the situation and which substantially increased its support during the 2011 elections\(^{41}\). What is striking in the Finnish case is the fact that even though Parliament

\(^{38}\) Based on MS02-LEG01 personal interview conducted in Helsinki, 27 January, 2015.

\(^{39}\) Based on MS02-LEG01 personal interview conducted in Helsinki, 27 January, 2015.

\(^{40}\) Based on MS02-EXE01 personal interview conducted in Helsinki, 26 January, 2015.

\(^{41}\) And subsequently, the Central Party which was also critical about euro crisis management.
essentially relied on the same technocrats as in the Slovakian case, the internal links and working traditions made a huge difference when it came to constraints on the exercise of political rights.

Conclusion

Exceptional situations tend to empower the executive over the legislative branch of government in the decision-making process. The euro area sovereign debt crisis was no exception as the Slovakian and Finnish cases demonstrated. It was highlighted that a transnational technocratic elite network played a crucial role in interpreting financial market developments and influenced national level decision-making in both contexts analyzed. Interestingly, it could be argued that the role of this elite became even more prominent as the level of politicization increased which effectively constrained the right of participation as national parliaments were further and further sidelined. The case studies showed that the right to information was also constrained as national parliaments relied almost exclusively on the information the aforementioned technocratic elite provided them with.

Both countries studied in this paper experienced the euro crisis as a standalone input into domestic electoral politics. Though somewhat ironically, the originally euro area sceptic Smer party of Robert Fico came to the rescue of EU consensus in 2010. A move later repeated with the approval of the permanent successor to the EFSF, the ESM. The importance of EU-level consensus among the most senior political decision-makers and the technocrats alike is perhaps one of the most important features of the euro crisis. Though her political mandate was clearly threatened Prime Minister Radicová sided with her colleagues in the European Council. Similarly, the Finnish parliament’s Grand Committee formally was able to closely monitor Eurogroup decision-making but had little substantive amendment powers as finance ministers presented pre-discussed policy options as ‘take-it-or-leave’ proposals. In short, the acts of interpretation by the pan-European technocratic economic governance elite in conjunction with the consensus-oriented nature of decision-making in the European Council and the Eurogroup limited the proliferation of alternative political options.

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