ACCOUNTABILITY IN DIFFERENTIATION:
WHAT ROLE FOR THE EUROPEAN PARLIAMENT
IN ECONOMIC AND MONETARY UNION?

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WORK IN PROGRESS
Introduction: Why Accountability?

Upholding the democratic legitimacy of a political system is the prime purpose of any parliament, and parliamentary accountability is crucial to its success. Indeed, as a starting assumption, the paper holds that "the democratic legitimacy of a polity, institution or policy decision refers to its conformity not only to the law in the narrow sense but also to democratic principles and common values. The participation of citizens, mainly but not exclusively, through the election of their representatives and their ability to hold those elected official accountable lie at the core of the concept" (European Parliament 2014). Legitimacy and accountability thus cannot be separated from each other.

However, as Weiler stated, "legitimacy is a notoriously elusive term, over-used and under-specified" (Weiler 2012). Particularly in the case of the complex multi-level and differentiated polity of the Economic and Monetary Union (EMU), "the literature does not provide a framework for analysing the legitimacy of monetary policy at the Eurozone level" (Torres 2013). Although much of the literature have focussed on the output and input side of legitimacy (Scharpf 1999; Schmidt 2010; Weiler 2012), Eriksen and Fossum rightfully argue that the legitimation of a polity depends on its function (Eriksen & Fossum 2004):

- (1) If the EMU polity is considered a "problem-solving entity", it will be considered legitimacy if it solves problems and delivers output results in an efficient way.
- (2) If the EMU polity is considered a "value-based community", it will be considered legitimate if it represents some kind of common identity or popular will.
- (3) If the EMU polity is considered a "right-based union", it will be considered legitimate if it upholds the rule of law for all its citizens.

The reality of EMU is that it has been mainly treated as a problem-solving entity (Kühnhardt 2006; Fleming 2011). However, the Eurozone crisis has fatally disturbed this approach. For one, the EMU is currently failing in providing economic stability. Moreover, Hix argues that the solutions to the crisis in terms of austerity and bailout funds "have major redistributional consequences, both within states and between states" (Hix 2012). Indeed, fundamental social and economic decisions are now being made at the supranational. This shift requires the development of democratic politics at the EMU level, as "redistributive policies can be legitimated only by majoritarian means and thus cannot be delegated to institutions independent of the political process" (Majone 1998).

Yet this paper acknowledges that a 'federalisation' of the EMU in terms of transforming it into a "value-based community" is an improbable course of events. For one, turnouts at European Parliament (EP) elections are at an all-time low. Yet even with higher turnout, Majone argues that the EP still "does not represent a (nonexistent) European people in the same sense in which a national parliament represents an historically defined demos" (Majone 2014). Nonetheless, Youngs rightfully contends that "too much can be made of the need for a common demos" (Youngs 2013). Indeed, that the EU is not a 'value-based community' does not automatically imply total illegitimacy. Rather, the EU can very well be considered as a 'rights-based union', upholding democratic laws for its citizens. Legitimation is then generated by the democratic accountability of laws and their enforcement – meaning that the current absence of accountability mechanisms in EMU poses a much greater danger to its legitimacy than the lack of a
common identity. More important than worrying about the EP representing 28 democracies rather than just one, is the fact that it has very little impact on the policies that are being pursued within EMU.

Contrary to this general appreciation of the legitimacy status of the EMU, currently the ad hoc solutions to the crisis are vehemently keeping parliaments out. Indeed, "the transfer of executive powers to the EU level with the objective of solving the euro-area crisis ... has not been accompanied by the creation of corresponding mechanisms to ensure political accountability at EU level" (European Parliament 2014). While the European Commission has seen its supervisory powers expand rapidly over a few years and the Councils have stepped up their involvement, the EP is still only invited to discuss – ex-post – decisions that have been made elsewhere. As such, parliamentary accountability is under threat from executive control. But how exactly to measure accountability? When are the appropriate mechanisms of accountability in place?

The paper intends to provide tentative answers to these questions, operationalising accountability and applying it to the role of the EP in EMU. The first part of the paper gives a concise overview of the literature on accountability and differentiation, outlining the conditions for accountability. The second part of the paper then assesses the first two conditions for accountability, i.e. the EP's power to summon executive actors "to explain and to justify" (Bovens 2007) and its capacity to judge those actors. It focusses on the Monetary and Economic Dialogues that the EP has at its proposal. A third part assesses the third condition, i.e. the ability for the EP to have an impact on policy. The paper examines three sources of influence for the EP: formal power, expertise and partnerships with other institutions. The paper then concludes that the EP's formal powers are too weak to carry accountability, but that a strategic combination of its expertise with strong partnerships opens prospects for greater EP involvement and accountability at the EU level.

1. Review: Accountability v Differentiation

The literature on differentiation is generally unanimous that it is a solution to the problem that "not all member states are equally eager to participate in all aspects of integration" (Andersen & Sitter 2005). In essence, differentiation is thus a response to the "integration paradox": the member states' simultaneous recognition of a functional need for deeper integration, and their aversion to cede political sovereignty (Puetter 2012). On the one hand, as a political tool differentiation is defined as a "tool for managing integration in the presence of diversity of interests" (Warleigh 2002). On the other hand, as an institutional reality differentiation is defined as "the general term for the possibility of member states to have different rights and obligations with respect to certain common policy areas" (Kölliker 2001).

However, despite its political convenience – or maybe because of – differentiated integration also poses some serious shortcomings, on both administrative, legal and normative levels (Warleigh 2002). First, differentiation is framed within a functional context of inter-state bargaining. Reluctant member states are more likely to agree to a 'functional' transfer of sovereignty rather than a political one. Differentiation offers a way out, allowing member states to transfer functional powers to the EU level while maintaining political responsiveness at the national level. Most importantly, this "leads to decisions determined by political imperatives, leaving no room for political discussion at the
parliamentary level" (Lievens et al. 2015). Indeed, despite overall agreement that the EU has a legitimacy deficit, much of the attention "for better accountability and value-for-money in European policies and programs were particularly directed to the Commission as the initiator and executor of community policies" (Furubo et al. 2002).

Second, differentiation makes it a lot harder for the EP to organise itself accordingly. The fact that not all member states participate and hence that not all MEPs are involved in the Eurozone, means that the EP itself as an institution is divided. Relying on the EP as a whole thus implies including MEPs from member states that do not participate in the EMU or the Fiscal Compact, which is unlikely to be accepted by participating member states. An alternative option is to organise a special session of the EP that restricts participation to MEPs from participating member states, but it is not clear whether non-participating member states "would support the creation of a parliamentary session excluding their MEPs (Lievens et al. n.d.; see also: Kocharov 2012). Similarly, the creation of a separate parliamentary institution for the EMU only has been rejected outright by some non-EMU member states, most vocally by the UK.

The focus on functionality and executive control, as well as the obstacles to appropriate intra-EP organisation in a differentiated setting, thus make it very hard for the EP to fulfil its role as democratic overseer. Still, what exactly is this role and how can we measure whether or not the EP is able to fulfil it? Parliamentary control mechanisms are not always clearly distinct and often work in informal ways, making accountability a very difficult concept to measure.

Overall, the literature on accountability offers no concrete operationalization of the concept. The broad use of concepts such as accountability, legitimacy, integrity, good governance, etc. by practitioners and academics alike makes them very abstract. So much even that the debate has become "a dustbin filled with good intentions, loosely defined concepts and vague images", lacking any empirically verifiable standards for what is (not) accountable (Bovens 2007, 449). The Public Administration dictionary presents probably the broadest possible definition of accountability as "a condition in which individuals who exercise power are constrained by external means and by internal norms".

Approaching the issue from a principle-agent theory perspective, scholars mainly understood accountability as a way to increase the efficiency and performance of government policies, i.e. to "define performance standards, measure performance, sanction based on measured performance" (O’Connell 2005; see also: Swiss 1983). Over time, other concepts were added to the definition, such as transparency, scrutiny and governance. Kearns took a new-institutionalist approach in defining his "accountability environment" as a complex system encompassing a broad "constellation of actors" (Kearns 1996). More recently, scholars have started considering accountability as an evaluative concept in the light of democracy and legitimacy (Behn 2001). Overall, therefore, accountability is still an umbrella term that includes even more umbrella terms. Koppell, for example, distinguishes up to five different dimensions that constitute accountability – i.e. transparency, liability, controllability, responsibility and responsiveness (Koppell 2005). Each of these are concepts that are highly fluid and require further clarification themselves.

Moreover, beyond its differentiated nature, the context of the EMU adds an additional layer of complexity to the accountability debate, as the EMU is not a "omnicompetent state with virtually unlimited powers to tax and spend" (Majone 1998). Consequently, the traditional approach of holding
the executive accountable on financial and performance issues has to be somewhat modified "to a system of limited competences and resources" (Majone 1998). Indeed, the relationship of control and oversight between the EP and the executive agencies has to be considered in the light of inter-institutional power struggles typical for EU politics, rather than only as an instrument of democratic control (Majone 2006).

Hence, acknowledging that it is only one aspect of the broader debate (Bochel et al. 2013; Griffith 2005), this paper focusses on political accountability through parliamentary control over the executive in EMU. One of the most concrete and comprehensive definitions of accountability is offered by Bovens, who considers parliamentary accountability as "a relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences" (Bovens 2007). Applied to the EMU context, this means that appropriate accountability mechanisms are in place when the EP has (1) the power to summon executive actors (e.g. the European Commission, the ECB or even national ministers); (2) the capacity to judge them; and (3) the ability to have an impact on policies.

All three of these conditions are necessary to be able to speak of genuine parliamentary accountability. Being able to summon and question the executive means little if it does not lead to change in policy. Yet it is particularly this third condition – having an impact – which is difficult to assess. The EP has been a very active actor in the course of the Eurozone crisis and the development of the EMU. It has systematically called for greater involvement and made its opinions of EMU policies quite clear. Looking at the paramount decisions that have been made in the course of the EMU’s development and the Eurozone crisis, one can thus more or less estimate whether or not the EP has had a significant impact – significant enough to alter the original plan. This paper will focus particularly on the Six-Pack and Two-Pack, and the Fiscal Compact.

More difficult to measure is how exactly the EP managed its influence. The literature in this area focuses mainly on parliaments in a ‘traditional’ national context, meaning with constitutional power to bring down the government. For the EP the situation is profoundly different, as particularly in EMU it has very little treaty-enshrined power to wield. Literature on the EP has therefore focused on its resources and expertise (Dobbels 2013). This paper builds on that research, but adds one particular underdeveloped aspects of the EP’s quest for influence: strategic partnerships with other institutions. It is generally accepted that the EP and the European Commission, as supranational institutions, join up against intergovernmental tendencies in the Councils. However, other institutions such as national parliaments or even the ECB can also be valuable allies for the EP to strengthen its ability to generate and dominate the public debate.

2. Summon and Judge

The EP is not powerless when it comes to its capacity to summon executive actors and judge their actions. It may invite all kinds of representatives to hearings – including the Presidents of the Commission, the Council of Ministers, the European Council and the Eurogroup, but also representatives from the Member States, the ECB and even the IMF – and it can issue reports on its findings with great
expertise. Not only does the EP have treaty-based claims on its powers to summon and judge, it has also been very active in playing out its limited powers to the fullest. The source of its summoning powers can be found in the treaty-enshrined Monetary Dialogues (MDs) and Economic Dialogues (EDs).

Although they were not named as such on paper, the MDs were included in the policy process from the very beginning of the EMU, as regulated by the Treaty of Amsterdam. Article 284 TFEU dictates that "the President of the ECB and the other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent committees of the European Parliament". These hearings take place at the EP’s Economic and Monetary Affairs (ECON) Committee in the form of a presentation of the ECB’s Annual Report, quarterly reporting by the President of the ECB, and, on the EP’s request, additional meetings with members of the ECB Executive Board.

Article 284.3 TFEU states that "the ECB shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and current year to the European Parliament" – a statement that is copied word-for-word in Article 15.3 of the ESCB Statute. This Annual Report is usually presented around April by the ECB's Vice-President, giving the EP some time to prepare a resolution that provides its opinion about the Report. A few months later, the ECB President then comes before the EP himself, addressing, among other things, the critical points raised in the EP's resolution. Since 2011, the ECB’s Annual Report also contained a section on accountability, coming back to some – but not all – accountability issues that were discussed during the year (Claeys et al. 2014).

Based on these treaty provisions it was also agreed that on top of the presentation of the ECB's Annual Report, the ECB should report on its actions at least four times a year, as stated in Rule 126.3 of the EP Rules of Procedure. These hearings start with "a statement by the President of the ECB explaining in detail the central bank’s assessment of economic and monetary developments at the time", followed by a series of questions from the ECON members (Eijffinger & Mujagic 2004). Taking place according to a fixed schedule, the hearings allow for both the EP and ECB to prepare and build expectations on the course of the hearings and questions to be raised and answered. In 2015, MDs took place in March and June, and will take place in September and December. Issues discussed include the situation in Greece, the effects of quantitative easing and a general assessment of the EMU's current economic and monetary conditions.

Contrary to the MDs, the EDs are put down on paper: they are included in the five regulations of the Six-Pack – not as such in the Directive – and in both regulations of the Two-Pack. For those writing the regulations it was mostly a copy-paste exercise, as all regulations use the exact same wording to convey the purpose of the EDs:

"In order to enhance the dialogue between the institutions of the Union, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament [i.e. the ECON Committee] may invite the President of the Council, the Commission and, where appropriate, the President of the European Council or the President of the Eurogroup to appear before the committee."

Although each regulation further stipulates exactly which matters the ECON Committee is allowed to discuss during these dialogues, these matters encompass practically every aspect of economic policy at
EU level – from the adoption of the excessive deficit procedure by the Council to the provision of broad economic guidelines by the Commission. Furthermore, the regulations also frequently refer to the obligation of the Council and the Commission to keep the EP regularly and timely informed about any new development. Concretely, this means that "the report activity of the Council and the Commission will have to be accomplished at least every European Semester" (Fasone 2012). For example:

- Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances stipulates that "the Council and the Commission shall regularly inform the European Parliament of the results of the application of this Regulation".
- Regulation 473/2013 on the correction of excessive deficits stipulates that "the European Parliament shall be duly involved in the European Semester in order to increase the transparency and ownership of, and the accountability for the decisions taken".

Moreover, the regulations also open a window of opportunity for the EP to be in direct contact with Member State governments. Regulation 1173/2011 on the effective enforcement of budgetary surveillance in the euro area, for example, stipulates that "the competent committee of the European Parliament may offer the opportunity to the Member State concerned ... to participate in an exchange of views". Much like other statements, this is almost literally copied in the other regulations. As such, the regulations effectively "introduce a one-to-one relationship between the EP and the Member State experiencing macro-economic imbalances, excessive deficits or failing to comply with the Council recommendations or decisions" (Fasone 2012).

Together, the provisions of the MDs and EDs thus give the EP ample opportunities to summon and hear the EMU's executive actors – the Commission, the ECB, the Council(s), the Eurogroup and even national ministers. To date, the EP has had regular contacts with these institutions in the context of the MDs and EDs. At the start of a new European Semester the relevant Commissioners appear before the ECON and EMPL committees to present the Annual Growth Survey and the Alert Mechanism Report. Later in the cycle, the ECFIN Commissioner also presents the country-specific recommendations and macroeconomic imbalances review to the ECON Committee. In the 2013 cycle, the EP-initiated economic dialogues looked somewhat like this:

- On 7 May, Jeroen Dijsselbloem, then the President of the Eurogroup, explained to the ECON Committee the Cyprus adjustment programme.
- On 17 June, the ECFIN and EMPL Commissioners presented the draft country-specific recommendation to the ECON and EMPL Committees.
- On 24 June the Irish Finance Minister Michael Noonan clarified the Council's position before the ECON Committee, which was adopted by the European Council on 29 June – only five days later.
- On 9 July, the Lithuanian President – who took over the Council presidency from Ireland in July 2013 – explained in detail the country-specific recommendation as adopted by the Council.
- On 5 September, the EP held an economic dialogue with the President of the Eurogroup to discuss these recommendations, and invited the President of the ECOFIN Council in December of that year.
- On 24 September, Klaus Regling, Managing Director of the European Stability Mechanism, participated in an exchange of views with the ECON Committee.
The EP kept up its proactive attitude in the 2014 Semester cycle:

- On January 2014 the EP invited the Greek Minister of Finance for a dialogue on his country's recommendations.
- On 20 February the Eurogroup President explained to the ECON Committee the implementation of the macroeconomic adjustment programmes and the six-month priorities of the Eurogroup.
- On 13 March 2014, the EP issued a resolution on the functioning of the Troika system, "highlighting the poor democratic accountability of its decision-making process at national level and the lack of it at EU level" (European Parliament 2014).
- On 13 October the ECON Committee issues a report by MEP Philippe De Backer, calling for quarterly reporting by the Commission on the implementation of the recommendations.
- On 9 September 2014, the Eurogroup President spoke before the ECON Committee, and on 2 December the Committee heard ECFIN Commissioner Moscovici about the budgetary targets for Belgium, Italy and France.

In 2015, the ECON Committee already heard German Finance Minister Schäuble on 14 January and Eurogroup President Dijsselbloem on 24 February. The EP is thus very eager to get its hands on as much information as possible.

However, the massive amount of information, the technical complexity of dossiers and the time pressure strain the ability of the EP to process all information it receives. The effectiveness of the EP to analyse this information in light of an eventual judgment, is determined by the internal structures and procedures that are put in place. It is thus crucial that the EP organises itself accordingly, as efficient organisation "allows for the effective utilization of formal rights and authority, resources and knowledge" (March & Olsen 1995).

Acutely aware of this, in 2009 the EP set up a special Committee on the Financial, Economic and Social Crisis, which performed hearings and investigations on the run up to the publication of its report in 2011, after which it was disbanded. Additionally, and in response to the EMU crisis, on 12 February 2015 the EP created a special Committee on Tax Rulings (TAXE), which is to increase the EP's expertise in the field of national tax legislation and their compatibility.

Overall, the EP has used its tools to the fullest and been increasingly active in scrutinising policy through debates, questions, hearings and reports (Shackleton 2012; Shackleton et al. 2007; Dobbels 2013; Rittberger 2005). Its power to summon and its capacity to judge the EMU's executive actors can be said to meet the requirements of an accountable system. However, because it has no formal say in any of the EMU policy-making and its involvement is often only ex post, the EP is still only a minor player and has rather limited impact.

3. Having an Impact?

Yet despite all its activity, the EP is still only a minor player in the EMU. The dialogues it has are often slightly obsolete, as decision are being made elsewhere and the EP can only respond to it afterwards. Indeed, looking at the number of EP's opinions that actually found its way into the treaties or
regulations, it is quite the treasure hunt. Only in the adoption of the Six- and Two-Pack regulations was the EP formally consulted through the ordinary legislative procedure. From this position of power "the EP was able to reinforce its position, albeit modestly, from the lack of any role" (Fasone 2012). Still, the only tangible success the EP has so far was the formalisation of the EDs.

The formal power in EMU is firmly in the hands of the European Council. Although Article 15 TEU obliges the President of the European Council to report to the EP after each summit, and other institutions such as the Commission and the ECB are equally obliged to appear before the EP, "these hearings constitute an ex-post marginal source of information" (European Parliament 2014). Beyond this reporting, the European Council is in no way obliged to take into account the EP as an actor, nor to involve it in its decision-making. The paper will first go deeper into the limits of the EP's formal powers, and then look into two other sources of influence highlighted by the literature: expertise and partnerships.

3.1. Limits of Formal Power

The legalistic approach to studying influence is to look at the institutionally enshrined rights and obligations of parliaments, which "grant general competences ... and have a substantial effect on their ability credibly to threaten specific kinds of action" (Farrell & Héritier 2003, 582). The formal competences of the EP are limited mainly to EDs and MDs, with very little credible threat. For example, in the context of the European Semester, the European Commission makes country-specific recommendations based on the economic priorities set by the Council. The Commission then assesses the implementation of its recommendations together with the Eurogroup, which decides whether or not to accept a national budget. Member states are thus to present their budgets to the Commission and the Eurozone finance ministers, but not to the EP and only in a second phase to their own national parliaments. At no point is the EP involved, not in the setting of the overall economic priorities, nor in the articulation and implementation of the Commission recommendations. Neither does it have a say in the decision made by the Eurogroup.

For the EP to have a greater impact on decision taken in the European Semester, the Commission should for example present the country-specific recommendation – and particularly the assessment of their implementation – to the EP instead of only to the Eurogroup. The decisions and their evaluation should then formally be done by both the representation of the Member States and the EP. Indeed, the legitimacy of these troika-style recommendations is often contested as they are agreed by a select group of executives, isolated from any public or political debate, yet at the same time have major macroeconomic consequences. Giving the EP a formal voice on these recommendations and on the evaluation "whether they effectively promoted the return of the economy to a sustainable path" (European Parliament 2014) could strengthen the legitimacy of EMU policies to a large extent.

However, currently the EP is little endowed in this area. Article 12 of the Fiscal Compact only states that "the President of the European Parliament may be invited to be heard [by the Euro Summit]. The President of the Euro Summit shall present a report to the European Parliament after each Euro Summit meeting". Article 13 of the Fiscal Compact further only allows the EP and national parliaments the right to "discuss budgetary policies and other issues covered by this Treaty". The EP is thus completely denied any right to actively provide input – it may only listen and discuss, but not cast a binding opinion or
demand change. In other words, it can summon, it can judge, but it has no impact. As Majone argues, "at that point the democratic deficit of the EU would turn into a democratic default" (Majone 2014).

While the EP is free to organise itself internally, it cannot singlehandedly demand more institutional powers. These more fundamental changes to interinstitutional relations would have to go through a treaty change, or even a whole new treaty. Yet treaty change based on Article 48 TEU "not only requires unanimity for the treaty negotiations but also ratification in 28 countries and, in some cases, a referendum that may be unwinnable" (Buras 2013). Revising the Fiscal Compact alone might reduce the number of involved states, but in no way diminishes the unanimity and ratification hurdles. Moreover, a treaty that would give the EP a say over national budgetary and macroeconomic issues would entail a major federalisation of the EMU. While there are voices calling for a political union and more EU democracy – e.g. Italian Economy Minister Padoan, ALDE leader Verhofstadt and even French President Hollande – popular resentment is still large and an EU political union is hard to sell electorally. Although the treaty road thus "might be preferable from the point of view of efficiency and democratic legitimacy" (Lievens et al. 2015), it is highly unlikely that treaty-based EP empowerment will happen any time soon.

3.2. Expertise

Scholars are increasingly attentive to the importance of the expertise of and policy evaluation by parliaments (Bundi 2014; Bundi 2015; Speer et al. n.d.). The purposes of expertise and information are manifold, ranging from increasing the basic knowledge of parliamentarians to the strategic communication of information to the electorate. When considered from an accountability perspective, "information and evaluative judgments are produced to allow decisions on program continuation, expansion, reduction, and termination" (Widmer & Neuenschwander 2004). Indeed, "both ex ante and ex post, the supply of policy information concerns a crucial instrument for parliament to fulfil its role ... [as] feedback mechanisms are built in for the purposes of accountability and democratic control" (Speer et al. forthcoming).

As discussed above and discussed in the literature, the EP has ample access to a wide range of information and also has promising capacity to scrutinise it properly (reference). However, without formal inclusion on the decision-making process other than ex post discussion, having all this information is of little value unless the EP succeeds in generating and dominating a public debate. Considering the weak 'formal' position of the EP, it is indeed vital that it is considered a credible and expert actor when issuing reports and opinions. Its exclusion from the formal process means that by definition it can only exercise indirect influence, and as such the control over the public debate is a powerful tool in that respect.

For example, some claim that the EP has had an important impact on the Six-Pack because it was involved in the drafting of some of the regulations. Indeed, four out of the five regulations of the Six-Pack were adopted under the ordinary legislative procedure (OLP), which puts the EP on equal footing with the Council. From this position of power "the EP was able to re-inforce its position, albeit modestly, from the lack of any role" as initially perceived by the Commission's proposals – resulting in the formalisation of the EDs (Fasone 2012). However, the real success of the EP here was not in ensuring its own inclusion in the Six-Pack – all in all the EDs are a useful but not overly powerful tool to have – but
rather in the very fact that the OLP was applied. As such, the EP succeeded in diverging from the route of the Europlus Pact, which did not foresee any role for the EP, by timely and forcefully making its opinions heard and raising awareness about the democratic deficits of leaving out the EP.

The EP is currently also applying this approach to national tax legislation reform and the 'Lux Leaks' scandal. Indeed, "anticipating a tough legislative fight, the European Parliament’s special committee investigating tax shelters plans to play its trump card: citizen outrage"\(^1\). The TAXE Committee aims at having Europe's tax havens that allow companies to avoid paying taxes throughout the EU banned. However, considering how tax legislation is still a sensitive issue of national sovereignty and the EP has no formal powers in that area, Member States are unlikely to take any swift action towards harmonisation. For that reason, the TAXE Committee is trying to get a public debate started to coerce Member States, with the Committee's co-rapporteur Michael Theurer hoping "that citizens can create sufficient pressure on Member States in order to come to a legislative framework"\(^2\).

For the EP to fully play out its expertise in terms of impact, the timing and weight of its participation is crucial. Belated action by the EP might present it with a fait accompli and deny it any further influence – however indirect – on the debates in other institutions. Concretely, if the EP only responds to a decision once it has been made, it becomes practically impossible to overturn it using public debate as main leverage. Regulation 1176/2011 of the Six-Pack does stipulate that "the strengthening of economic governance should include a closer and more timely involvement of the European Parliament and the national parliaments", but so far 'timely' has been understood as 'ex post'. As Fasone rightfully argues:

"The EP is involved too late; it neither receives the national reform programmes, the stability and convergence programmes and the draft budgetary plans directly, nor can it concur in fixing the strategic priorities of the fiscal year and the European Semester or review the country-specific recommendations once adopted by the Council. In contrast, the strategic priorities are defined by the European Council, an institution which is not democratically accountable to the EP and only accountable in a limited way to the national parliaments" (Fasone 2012).

Moreover, the public debate that is being generated would be much for effective if it is taking place both at the European and national levels. For that reason, the creation of a committee that deals specifically with the scrutiny of EMU policies – whether or not limited to Eurozone MEPs – would also "allow for a more effective format of inter-parliamentary cooperation with (and among) the national parliaments of euro-area countries" (European Parliament 2014). Again the treaties provide the EP with a scope to increase inter-parliamentary cooperation, but so far these initiatives have been found wanting (see below).

**3.3. Partnerships**

When considering the EP's relations with other institutions, the literature has generally focussed on its joint battle against intergovernmentalism together with the Commission. As the two genuine 'community' institutions, the EP and the Commission have customarily found each other in fighting for greater supranational powers (Biegoń 2013; Dinan 2010). More recently, scholars have also begun

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1 http://www.politico.eu/article/luxleaks-amazon-eu-tax-loopholes/

2 Ibid.
exploring inter-parliamentary cooperation between the EP and national parliaments, as a response to several such initiatives and provisions (Miklin 2013; Costa & Latek 2001; Crum & Fossum 2009). These two partnerships are discussed below, and linked to a third, somewhat neglected partnership: that between the EP and the ECB.

3.3.1. European Commission

In its 2012 Blueprint on EMU, the Commission stressed that democratic legitimacy for the EMU "requires a parliamentary assembly" and that the EP "and only it, is that assembly for the EU and hence for the euro" (European Commission 2012). Commission President Juncker has since repeated several times that he wishes to promote a more democratic EU, with more transparency and accountability. Also Pierre Moscovici, the Commissioner for Economic and Financial Affairs, has stated quite frankly that he believes that "the 'troika' should be replaced with a more democratically legitimate and more accountable structure, based around European institutions with enhanced parliamentary control both at European and at national level" (Moscovici 2015).

However, so far the Commission has paid lip service to the EP. What's more, the Commission has even been rather neglecting the EP, maintaining a very low pace in its legislative agenda. Also the Commission's agenda for "better regulation" is casting doubts on its commitment to a more democratic EU. While the proposed inter-institutional agreement on better regulation allows for greater consultation of both the EP and the Council in the early stages of writing new regulation, it also aims to install greater influence of independent expert actors.

Specifically, the agenda for better regulation proposes that any of the three institutions may request an impact assessment prior to any "substantial amendment" to a Commission proposal, to be conducted by an "independent panel" of experts (European Commission 2015). This means that any decision made by the EP or the Council is likely to be again reassessed by a panel of autonomous experts. Considering how these experts are in no meaningful way held accountable, it has already been argued that this better regulation agenda is a "power grab" by the Commission. Indeed, it asserts the Commission's focus on expert ('output') accountability rather than political accountability (Coman & Pittoors 2014; Heidbreder 2014; Ellinas & Suleiman 2011).

3.3.2. National Parliaments

The Eurozone crisis has also at the national level decreased parliamentary oversight. The possibility to vote by qualified majority means that executives in the Council can be overruled by other executives regardless of their national popular support, "undermining the capacity of national parliaments to (indirectly) control EU legislation" (Mattli & Stone Sweet 2012; see also: Costello & Thomson 2013). Also the current system of financial assistance to member states is inherently undemocratic, as it circumvents the sovereignty of national parliaments without adding accountability by the EP (De Witte et al. 2013; Majone 2014). Indeed, the predominance of executive control bypasses "national

4 http://www.euractiv.com/sections/science-policymaking/commission-denies-power-grab-claims-over-better-regulation-314692
parliaments from the budgetary control that constitutes their most traditional and symbolic prerogative" (Dawson & de Witte 2013). National parliaments thus have an important stake in strengthening parliamentary involvement in EMU decision-making.

Art. 13 of the Fiscal Compact states that the EP and national parliaments "will together determine the organisation and promotion of a conference of representatives of the relevant committees of the European Parliament and representatives of the relevant committees of national Parliaments in order to discuss budgetary policies and other issues covered by this Treaty". Although this Inter-parliamentary Conference on Economic and Fiscal Governance (ICEFG) has already taken place several times, the process is proceeding very slow – "it hasn't adopted rules of procedure, its timetable isn't synchronised with the European Semester" (Dawson 2015). The ICEFG is particularly paralysed because of its very low efficiency and limited mandate. For one, "the size and composition of each delegation is decided by the respective national parliaments and the EP itself and, therefore, the conference itself tends to be too large and difficult to manage in an effective way" (European Parliament 2014). Moreover, similar to the role of the EP, this ICEFG is only authorised to adopt non-binding conclusions by consensus, limited to the specific issues that make the agenda. Overall, the ICEFG thus fell short of expectations.

An alternative has been proposed in the form of a sub-conference only formed by parliamentarians from Eurozone countries. This sub-conference would meet in the margins of the main inter-parliamentary conference to discuss euro-specific issues. However, such an approach would only add to the complexity of the system without adding to its impact. Considering the already long-drawn-out negotiations on the establishment of the ICEFG itself, it is also likely that non-euro countries would contest any exclusion. A more viable alternative would be the creation of a sub-committee of the ECON Committee that would be aimed specifically at the establishment of inter-parliamentary gatherings with relevant national MPs, i.e. those working on budget, finance and employment. This would allow for smaller and more flexible meetings that can more easily be tuned with the European Semester agenda and more quickly respond to developments in the (European) Council or Commission. Moreover, this approach is less likely to be opposed by any specific member state, as all are free to participate.

3.3.3. European Central Bank

The independence and credibility of the ECB as a competent actor was one of its main concerns since its creation in 1998. Its independence is formally enshrined in the treaties Art. 282 TEU states that the ECB "shall be independent in the exercise of its powers and in the management of its finances. Union institutions, bodies, offices and agencies and the governments of the Member States shall respect that independence". Moreover, the treaty also clearly states that the "primary objective of the ESCB shall be to maintain price stability" (Art. 282 TEU). Hence the independence of the ECB " is very hard for governments to revoke" (Hix 2011). Moreover, the only institution that is really capable of changing anything to institutional design of the ECB and its Executive Board is the European Council, whose unanimity requirement further increases the credible independence of the ECB.

However, credibility and independence are only one side of what a central bank needs. As Hix argues, "a central bank also needs to be legitimate – to possess what economists call 'reputation'" (Hix 2011). Leaving aside the problematic disconnection between fiscal and monetary policy in EMU (Micossi 2012), a central bank's legitimacy "enables markets and the public to accept monetary policy that might be
unpopular in the short term" (Hix 2011). Particularly in the setting of the Eurozone crisis, in which the ECB's decisions have major social and political consequences, it is absolutely vital that the ECB's legitimacy is up to standard.

Consequently, "the ECB’s interest in acquiring legitimacy and the Parliament’s desire to get a greater say in the conduct of economic policy within the EU ... has greatly contributed to the convergence of the two supranational actors" (Torres 2013). In his speech to the EP plenary on 23 February 2015, ECB President Mario Draghi said that the "accountability of the central bank is the essential counterpart to its independence. To this end, the ECB has an elaborate framework to discharge accountability to European citizens and your house [i.e. the EP]" (Draghi 2015). The MDs mentioned above form the foundation of this accountability exercise.

A good example of fruitful cooperation is the road to banking union. When in 2009 supervision of the financial markets was merely an issue of soft coordination, by 2013 the EU had created an operational banking union. The resulting Single Supervisory Mechanism (SSM) has several accountability guarantees, locked in Regulation 1024/2013 and an EP-ECB interinstitutional agreement. Article 20 of Regulation 1024/2013 is entirely dedicated to accountability, with Paragraph 1 stating that "the ECB shall be accountable to the European Parliament and to the Council for the implementation of this Regulation". While the SSM was placed under the responsibility of the ECB, in turn the EP gained additional powers over the workings of the ECB. For example, Article 20.9 of Regulation 1024/2013 dictates that the ECB and EP make arrangements covering "access to information, cooperation in investigations and information on the selection procedure of the Chair of the Supervisory Board".

These arrangements were put in an inter-institutional agreement, which covers a wide range of issues from the code of conduct to investigations and adoption of acts by the ECB. For example, the agreement dictates the regular appearance of the Chair of the Supervisory Board, currently Danièle Nouy, before the ECON Committee. It also requires participation of ECB representatives in confidential oral discussions with the Committee upon request. Additionally, the ECB prepares an annual supervisory report, which is presented to the EP by the Chair of the Supervisory Board.

**Conclusion: EP in EMU**

This paper set out to assess the issue of accountability in a differentiated polity, more specifically the EMU. It started off with the argument that the Eurozone crisis rendered the EMU's focus on output legitimacy wholly insufficient, as the crisis not only damaged output as such but also generated new redistributitional policy that require more input legitimacy. Simultaneously, the paper acknowledged that the absence of a EU demos render traditional approaches to input legitimacy in terms of political participation unsuitable for the EU. Therefore, it is argued that the EMU needs to up its legitimacy by way of stronger accountability mechanisms, i.e. parliamentary control over EMU policies.

The paper looked at three conditions for accountability: parliamentary power to summon executive actors, its capacity to judge their actions, and its ability to have an impact. Considering how the MDs and EDs are powerful tools for the EP to summon executive actors before them, and the EP also has strong
internal organisation that allows proper scrutiny of their actions, the paper considers two of the three conditions fulfilled. However, when looking at actual impact on policy the EP's position is fairly weak, as formal powers remain firmly in the hands of the Councils. The EP is only allowed to discuss their decisions ex post. Indeed, the formalisation of the EDs was basically the only tangible success the EP achieved in incorporating its opinions into regulations. The paper further assessed how the EP sought to have influence through non-formal ways, i.e. by generating and dominating a public debate using its expertise and with support from other institutions – the Commission, the ECB and national parliaments.

In conclusion, the paper has shown that the EP is a strong but disabled player in EMU, with strong in-house capacities and promising partnerships but limited formal mechanisms to ensure democratic accountability. The lack of real-time involvement of the EP in the policy process is a particular hurdle for proper accountability, as it means the EP is often presented with a fait accompli that it cannot change. Timely action by the EP – as it has done in preparation of the Six-Pack and is doing now regarding the Lux Leaks – is therefore vital. Additionally, more efficient cooperation with national parliaments could also be a fruitful strategy to increase accountability, as it allows for parliaments to put pressure on governments simultaneously at the European and national level. As such, this paper calls for a "deeper multilevel parliamentarianism" (Maurer 2013).

However, although inter-parliamentary cooperation between the EP and national parliaments would strengthen "mutual understanding and common ownership for EMU", it does not as such "ensure democratic legitimacy for EU decisions" (European Commission 2012). Moreover, whatever good intentions national MPs might have, they still are obliged to defend national interests and therefore "bargain compromises between obstinate positions" (Habermas 2013). Considering how EMU policies are European in nature, the only way to democratically legitimize them is through an assembly that is also European in nature. Only the EP can perform this role. As such, partnership with national parliaments is a means, not an end. A conference of European parliaments cannot substitute a proper EU parliament. A report on EMU by the Finnish parliament pointedly states that:

"The notion of a ‘joint position of parliaments’ has no foundation in reality. Parliaments do not take a particular position because they are parliaments. National parliaments look to the national interest and the European Parliament to the European interest. At both levels, there are differences between political groups; the position of any parliament is the outcome of discussion, compromise and voting. Conferences offer participants useful support in their work in their home parliament. No conference can replace the work done in parliaments” (Maurer 2013).

The presence of formal channels of accountability are therefore a prerequisite, as one simply cannot speak of accountability when whether or not parliaments are heard depends entirely on the goodwill of executive political institutions. An inter-institutional agreement could partly remedy this by certifying timely reporting to the EP, particularly in pace with the European Semester agenda. It is not capable of allowing the EP direct influence on the process, but 'real-time information' offers the EP the opportunity to employ its expertise and activate its institutional alliances. Falling short of proper democratic accountability, this approach is feasible in the short-term and could de facto strengthen the EP's role.
REFERENCES


