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The Economic and Monetary Union, the Crisis, and Political Accountability

The EMU is one of the central policy fields of the European Union. Established in 1993 by the Maastricht Treaty, the EMU comprises a tangible symbol of European integration – the euro – present in the lives of millions of citizens across Europe. For countries that adopted the euro and formed the Eurozone, the economic, fiscal, and social impact of EMU policies is profound. Non-Eurozone economies are also affected by EMU decisions, albeit to a more limited extent. Yet despite the significant shift in decision-making powers from the national to the EU level entailed in the EMU, its architects did not establish corresponding mechanisms to hold relevant actors accountable for policy decisions in the field. The global economic and financial crisis of 2007–2008 triggered a prolonged sovereign debt crisis in the Eurozone (henceforth the 'euro crisis') that forced a reckoning of the original EMU architecture. Since then, the institutional design and policy scope of EMU have expanded, while the accountability framework has been strengthened – especially when it comes to the role of the EP in scrutinising the decisions of different executive actors.

To introduce the policy specifics of the book, this chapter provides an overview of the EMU and its political accountability structure. The starting point is the historical development of the EMU at the EU level, emphasising the institutional asymmetry between its economic and monetary policy arms. The reforms triggered by the euro crisis (roughly 2009–2014) are hence contextualised against the background of the systemic deficiencies of EMU design. Next, the chapter moves to discussing the accountability framework of EMU and, in particular, the characteristics of its political accountability mechanisms. Focusing on national parliaments and the EP, the chapter underlines the difficulties of holding executive actors accountable for EMU decisions. Since the euro crisis, the EP gained new scrutiny powers over both intergovernmental and supranational institutions in the EMU. The question

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remains to what extent the EP uses these new powers in practice and is able to act as an effective accountability forum in the EMU – an issue that will be discussed in the remainder of the book.

2.1 THE INSTITUTIONAL DEVELOPMENT OF THE EMU

The idea to construct the EMU can be traced back to the late 1960s and the recommendations of a working group chaired by Luxembourg's Prime Minister and Finance Minister Pierre Werner (Werner Report 1970). The Werner Plan envisaged the establishment of the European Community institutions for economic decision-making as well as the creation of an integrated system of national central banks – which proved unfeasible at the time, given domestic and international[2] circumstances (Maes 2004: 28). Two initiatives from the period are notable: (1) the so-called snake in the tunnel (operational in the early 1970s) and (2) the European Monetary System (EMS) launched in 1979. The 'snake' was an arrangement to peg Member States' currencies to each other in the hope of reducing the fluctuation of exchange rates inside the European Community; later, the EMS attempted to take this idea further by creating a 'zone of monetary stability in Europe' (Dyson and Featherstone 1999: 2). While the 'snake' failed almost immediately, the EMS held together for more than a decade – thus being considered 'a relative success . . . in the history of attempts to move towards EMU' (Bache *et al.* 2015: 135). Very importantly, both schemes allowed economic and monetary elites in Western Europe to interact with each other and build a consensus on the need for a common approach to the EMU. Heavily influenced by the success of the Deutsche Mark, this consensus revolved around ordoliberal economic ideas – favouring monetary policy stability, budgetary discipline, and market credibility (Dyson *et al.* 1995; McNamara 1999; Verdun 1999).

As a result, in the late 1980s, the EMU returned to the top of the political agenda in the European Community. In the context of reforms triggered by the Single European Act (1986) and the completion of the single market, the European Council entrusted a committee chaired by Commission President Jacques Delors 'the task of studying and proposing concrete stages towards this Union' (European Council 1988). The Delors Committee proposed a step-by-step approach that included increased cooperation between national central banks, the gradual

[2] Internationally, the period was marked by the collapse of the Bretton Woods system (1971), the first oil crisis (1973), and the second oil crisis (1979) – all leading to a concurrence of high oil prices, low growth, high unemployment, and high inflation (stagflation). As Member States focused on 'weathering the storm', further integration plans stalled in the 1970s (Gilbert 2011: 89–90).

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convergence of national economic and fiscal policies, and crucially, the introduction of a common currency among participating Member States (Committee for the Study of Economic and Monetary Union 1989). The European Council followed the recommendations of the Delors Committee, and the EMU was formally incorporated into the Maastricht Treaty (1993). As other areas of EU policy activity, the EMU was designed as a composite field encompassing economic, fiscal, monetary, and financial supervision issues.

From the beginning, EMU was characterised by an institutional asymmetry between its economic and monetary components. On the monetary side, Member States agreed to establish an independent supranational central bank (the ECB), which became operational on 1 June 1998 and oversaw the introduction of the euro between 1999 and 2002 (European Central Bank 2020b). From eleven initially participating countries, the Eurozone expanded over time to nineteen members[3] (since 2015). On the economic side, however, there was no political will to transfer decision-making powers away from national governments (Jones *et al.* 2016: 1017–1018). Instead, Member States opted for the regulation of economic and fiscal policies, hoping that this would be enough to counter spillover effects from unstainable practices such as national deficits and debt levels (Genschel and Jachtenfuchs 2016: 45). Compliance with EU regulations was to be ensured through a system of intergovernmental policy coordination – at the heart of which were finance ministers in the ECOFIN Council and the informal Eurogroup (Puetter 2006, 2014).

Many economists were critical of the EMU architecture, noting that the Eurozone was not an 'optimal currency area' (Mundell 1961) and that it required institutional substitutes to increase its resilience – such as a banking union, a fiscal union, or a broader mandate for the ECB (Lane 2012; Pisani-Ferry 2012). The point was that in order to reap the benefits of the common currency, EMU would have needed a corresponding political commitment to risk-sharing, that is, a type of monetary solidarity (Schelkle 2017). Yet this was not reflected in the evolution of economic and fiscal policies throughout the 1990s and the early 2000s. The key instrument in the field was the Stability and Growth Pact (SGP), adopted in 1997. The SGP was an agreement between Member States to pursue 'sound public finances' by coordinating their economic and fiscal policies in order to enforce limits set

[3] The following Member States are part of the Eurozone, in alphabetical order: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain (European Union 2018).

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by the Maastricht Treaty on government deficits (maximum 3 per cent of gross domestic product (GDP)) and public debt (maximum 60 per cent of the GDP).[4] Every year, Member States submitted stability programmes (Eurozone countries) and convergence programmes (non-Eurozone countries) that outlined their plans to meet Maastricht Treaty targets over the medium term; subsequently, these were monitored by the Council through multi-lateral surveillance in what became known as the SGP's 'preventive arm' (Council Regulation 1466/97). If a government breached the deficit and/or debt limits set by the Maastricht Treaty, the Council could initiate the Excessive Deficit Procedure (EDP) in the so-called corrective arm of the SGP, which included the possibility for economic sanctions if Member States failed to reduce their deficits after multiple warnings (Council Regulation 1467/97). Up to the euro crisis, the implementation of the SGP was characterised by 'discretion, leniency, and political control': large Member States like France and Germany could avoid sanctions due to their voting rights in the Council, while the Commission could not check the reliability of national data (e.g. for Greece) or put pressure on governments to honour their policy commitments (Schuknecht *et al.* 2011: 10).

In hindsight, creating a common currency among a group of heterogeneous nation states was bound to cause systemic problems (Copelovitch *et al.* 2016: 818–823). First, there were macroeconomic divergences, that is, differences between the stagnating economies of Northern Member States (Germany, the Netherlands, and France) and the booming economies of peripheral Member States (Italy, Spain, Greece, Ireland, and later the Central and Eastern European countries). As the ECB pursued a single monetary policy for the Eurozone, it provided different economies with opposite incentives: either to lend (in the North/central Europe) or to borrow (in the periphery). This led to increased capital flows – especially from North to South – that further deepened the economic divergences between Eurozone members (Baldwin *et al.* 2015). One way to minimise the impact of these divergences would have been to ensure effective policy coordination between Member States with the goal to restrain demand (in booming economies) or stimulate it (in stagnating economies). At the same time, complementary measures in labour market or pension reforms would have helped close the gap between deficit and surplus countries. In the 1990s, national governments attempted to achieve this through the SGP and the so-called Broad Economic Policy Guidelines (BEPGs) – a process of 'soft coordination' of both economic and social policies (Hodson and Maher 2001). The BEPGs were adopted by the ECOFIN

[4] Deficits and debt levels are currently found in Protocol 12 TEU.

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Council and monitored by the Commission and the Council in a system of multi-lateral surveillance (also known as peer review), where the Council could issue non-binding recommendations for corrective action (Deroose *et al.* 2008). In practice, the faulty enforcement of the SGP and the poor implementation of the BEPGs did nothing to reduce macroeconomic divergences between Member States, planting the seeds of a core–periphery conflict in the Eurozone (Laffan 2016).

Another problem of EMU design was the weak and fragmented nature of financial regulation, which remained in the hands of national central banks and specialised agencies (Jones *et al.* 2016: 1019). As financial institutions expanded across borders, it was impossible to exercise effective regulatory supervision from one Member State to another because national competent authorities (NCAs) had difficulties observing the operations of banks in other jurisdictions. At the same time, an interconnected banking system implied increased vulnerability, as losses in one country were certain to affect depositors in another country. Moreover, in the event of a crisis, financial markets expected Member States to help each other out and protect the stability of the system as a whole – despite the infamous 'no bailout clause' of the Maastricht Treaty. In theory, EMU Treaty provisions prohibited the monetary financing of budgetary deficits by the ECB (Article 123 TFEU) and explicitly rejected the notion that the EU could be liable for debt incurred by national or local actors (Article 125 TFEU). Yet borrowing conditions on international financial markets before the euro crisis revealed that market participants did not take the 'no bailout clause' seriously, that is, international financial markets offered almost the same conditions to borrowers from Spain or Germany (Copelovitch *et al.* 2016: 821–822).

The consequences of the EMU institutional asymmetry became painfully obvious during the euro crisis and required sweeping reforms, as discussed in the following pages.

2.1.1 *The Euro Crisis and the Reform of the EMU*

The global economic and financial crisis of 2007–2008 found the EMU totally unprepared to deal with the consequences of an interconnected yet uncoordinated banking system. Eurozone banks were badly exposed to the subprime mortgage crisis in the United States, but the EU lacked both the capacity and the instruments to provide a centralised response to the rapidly evolving crisis. Initially, each Member State had to react on its own, in line with national budgetary resources and the legal framework on banking resolution – which underlined the necessity for a banking union in the Eurozone (Hodson and Puetter 2016: 367). In the Eurozone periphery, the banking crisis soon developed

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into a sovereign debt crisis, as domestic banks and sovereign debt became caught in a destabilising loop. As described by Howard and Quaglia, 'at-risk domestic banks came to hold growing amounts of downgrading sovereign debt, while the ability of sovereigns to bail out or wind down domestic banks in an orderly manner ... diminished as public debt loads rose' (2013: 106). To deal with the crisis, the EU governance architecture would have required both a lender of last resort (e.g. a central bank) allowed to buy government bonds of distressed Member States and a common fiscal backstop, that is, a budgetary instrument that would ensure automatic transfers to regions negatively affected by the economic shock (de Grauwe 2011: 11).

By contrast, the EU response to the financial crisis was uneven and piecemeal. Overall, there were three main areas of reform. First, there was immediate pressure to offer financial assistance to the countries most affected by the crisis (Greece, Ireland, and Portugal). The model for financial assistance was effectively borrowed from the International Monetary Fund (IMF), that is, loans in exchange for structural reforms or, in EU jargon, 'macroeconomic adjustment programmes' accompanied by conditionality and the monitoring of reforms (European Stability Mechanism 2020b). In May 2010, Member States agreed on an emergency rescue package for Greece as well as the establishment of the European Financial Stability Facility (EFSF), a temporary fund designed to help any Eurozone Member State that had difficulties borrowing on international financial markets (European Stability Mechanism 2019: 4). A year later, the EFSF would be rolled into a permanent international financial institution, the ESM. Operational since 2013, the ESM was established outside the EU legal framework through an intergovernmental agreement – with the Eurogroup finance ministers acting as the key decision-making body (ESM Treaty, Article 5). Since then, several countries have accessed ESM loans: Greece, Ireland, Portugal, Cyprus, and Spain.

The second major area of EMU reform triggered by the euro crisis concerned the governance framework for economic and fiscal policy coordination. In order to avoid the mistakes of the past, it was considered necessary to 'reinforce the SGP, broaden economic surveillance, [and ensure] stronger coordination of national fiscal frameworks' (European Council 2010: 11). To this end, in 2010, the EU introduced the 'European Semester', an umbrella term for a myriad of rules and measures designed to avert excessive debt, prevent extreme macroeconomic imbalances, support structural reforms, and boost investment (European Commission 2020b). Two legislative packages form the legal basis of the Semester – the Six-Pack (2011) and the Two-Pack (2013) – together with the 2012 Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (known as the 'Fiscal

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Compact'). The Six-Pack extended the SGP framework with a Macroeconomic Imbalance Procedure (MIP) meant to detect, prevent, and correct (potentially severe) macroeconomic developments (EU Regulation 1176/2011, Article 2[1]). The Two-Pack introduced a stricter timeline for the budgetary cycle, requiring Eurozone Member States to submit their yearly budgetary plans earlier in order to allow EU policy recommendations to be 'appropriately integrated in the national budgetary preparations' (EU Regulation 473/2013, Article 1[1c]). By signing the Fiscal Compact, twenty-two Member States (the Eurozone countries plus Denmark, Bulgaria, and Romania) became formally bound to the 'balanced budget' rule, which had to be enshrined into national law (Fiscal Compact, Article 3). Over time, the Semester became a complex machinery of policy coordination and the main tool of the EU's economic governance architecture.

Last but not least, the third area of EMU reform triggered by the crisis concerned the creation of a banking union with three pillars (European Commission 2015a; Véron 2015). The first pillar was meant to address the leniency in banking supervision during the pre-crisis period by establishing a uniform system of banking supervision – the Single Supervisory Mechanism (SSM) – coordinated and enforced by the ECB (Council Regulation 1024/2013). The second pillar aimed to introduce a common EU approach for dealing with failing banks in an orderly fashion 'with minimal costs for taxpayers and to the real economy' (Single Resolution Board 2017). This was partially achieved through the Single Resolution Mechanism (SRM), which set up a central authority for winding up banks (the Single Resolution Board (SRB)) but with a transitional and intergovermentally managed Resolution Fund (EU Regulation 806/2014). The final pillar was supposed to provide a unique scheme to guarantee bank deposits across the Eurozone through a European Deposit Insurance Scheme (EDIS) – but this is yet to be adopted (Council of the European Union 2020c). EDIS remains controversial owing to its strong redistributive implications, causing concern about moral hazard in countries with weak banking systems (Howarth and Quaglia 2018; Schoenmaker 2018).

Overall, the new reforms altered not only the scope of EMU at the EU level but also the institutional dynamics in the field – as shown in the following pages.

2.1.2 *Post-Crisis Institutional Dynamics*

The euro crisis brought the EU's highest political body – the European Council – to the forefront of EMU decision-making. Since 2008, the

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European Council started to meet more frequently to discuss economic developments. For example, in 2011 alone, there were eleven meetings – sometimes in a restricted Eurozone format known as 'Euro Summits' (Puetter 2014: 91–97). The European Council thus became the EU's de facto 'crisis manager' (Van Kemseke 2014), a role which coincided with its formal institutionalisation in the Lisbon Treaty (2009) and the appointment of its first permanent President, Herman Van Rompuy. The objective to 'strengthen economic governance' was a top priority for Van Rompuy, who headed the Task Force that laid out the vision for the necessary EMU reforms (European Council 2010). However, while the European Council was instrumental in setting the political agenda during the crisis, day-to-day decision-making on economic and fiscal affairs remained the responsibility of finance ministers in the Council. For instance, during 2010–2015 – roughly the duration of the EU's sovereign debt crisis – finance ministers met eighty-nine times in the Eurogroup format and eighty-one times in the ECOFIN format[5] (Maricut and Puetter 2018: 201). The frequency of meetings illustrates the urgency of matters as well as the need for constant executive action – which the EMU lacked before the crisis.

For its part, the European Commission saw its competences in economic governance expanded after the crisis. The European Semester in particular increased the Commission's powers to monitor compliance with economic and fiscal rules – a different role from its traditional position as agenda-setter in legislative decision-making (Bauer and Becker 2014). Moreover, within the Commission, significant human and financial resources were put into the European Semester (Savage and Verdun 2016), which required the close coordination of the Secretariat General, DG ECFIN, and DG EMPL (Maricut and Puetter 2018: 206). In respect of the interpretation and application of rules, the Commission gained wide discretion to decide what counted as a 'structural' deficit or when countries made progress towards their 'medium-term budgetary objectives' (Dawson 2019: 66). At the same time, the Commission's autonomy in the field was consolidated by the introduction of 'reverse qualified majority voting' in the Council in the case of sanctions for breaking excessive deficit rules (Seikel 2016). Contrary to expectations that the Commission will ensure a stricter implementation of fiscal discipline than the Council, the patchy implementation of sanctions in the EDP demonstrates the Commission's leeway in the field (Dehousse 2016: 621). Overall, the crisis not only empowered the Commission in economic governance but also made

[5] By comparison, the reunion of ministers of labor and social affairs – the EPSCO Council – met thirty-eight times during 2010–2015 (Maricut and Puetter 2018: 201).

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it politically more conscious of specific dynamics within Member States (van der Veer and Haverland 2018).

The other supranational institution empowered by the euro crisis was undoubtedly the ECB (Curtin 2017; Dawson *et al.* 2019). Through 'quantitative easing' (i.e. the purchase of government bonds on secondary markets), the ECB became the Eurozone's 'only credible sovereign lender of last resort' (Buiter and Rahbari 2012). After declaring that it will do 'whatever it takes to save the euro' (Wishart 2012), the ECB announced the Outright Monetary Transactions programme in 2012 and launched an expanded Asset Purchase Programme in 2014–2015. The use of unconventional balance sheet instruments to increase the money supply followed similar measures by other central banks in the world (Jančić 2017: 147–148). However, the ECB did not have the same room for manoeuvre as other central banks; given the Treaty's explicit 'no bailout clause' (Article 123 TFEU), the ECB was soon faced with legal challenges to unconventional monetary policies (cf. Adamski 2015; Dawson and Bobić 2019; Goldoni 2017; Zilioli 2016).

Next, the ECB participated in negotiations over financial assistance programmes as part of the so-called Troika – later the 'Quadriga'. Next to the ECB, the Troika included the Commission, the IMF, and later the ESM, all considered 'expert' institutions tasked to assess the amount of funds and conditionality offered to a country in crisis (Henning 2017: 8). The participation of the ECB was problematic due to its simultaneous responsibility for monetary policy and emergency liquidity for the Eurozone member demanding financial assistance (Braun 2017: 6). Last but not least, the ECB undertook new tasks for banking supervision in the SSM, which required an intra-institutional separation between its monetary and supervisory activities (Alexander 2015: 165). In fact, the SSM Regulation assigned exclusive supervisory competences to the ECB, while NCAs remained responsible for assisting the ECB in carrying them out (Karagianni and Scholten 2018).

In respect of decision-making, the EP also gained powers in the EMU during the crisis. In fact, the EP was involved in all major legislative reforms adopted since the crisis: the Six-Pack (2011), the Two-Pack (2013), the SSM (2013), and the SRM (2014). Its role, however, varied across legislative dossiers. In economic governance, the EP's contribution was diminished by 'the shadow of the European Council', which actively lobbied for a specific outcome – namely fiscal discipline – and used its authority to build coalitions across EP political groups (Bressanelli and Chelotti 2016; Warren 2018). By contrast, the EP took advantage of the Council's need for swiftness in adopting the SSM Regulation and pushed for a stronger scrutiny role for itself in banking supervision (Rittberger 2014: 1180; Schoeller and Héritier 2019: 281).

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Finally, in negotiations on the SRM Regulation, there was little the EP could do to convince the Council to minimise the transitional period for the Single Resolution Fund or increase the Commission's role in the process (Howarth and Quaglia 2014: 137). Overall, the EP gained a say in decision-making over EMU reforms, but its influence remained limited.

Nevertheless, the policy and institutional reforms of the crisis had important implications for the EMU accountability framework, as discussed in the following pages.

2.2 THE ACCOUNTABILITY FRAMEWORK OF THE EMU

At first sight, the EMU accountability framework resembles that of any policy area in a democratic setting. Both in theory and practice, there are political, legal, and administrative mechanisms to hold EMU executive actors accountable. Traditionally, political accountability includes elections and parliamentary scrutiny of the executive; legal accountability refers to judicial review of government acts, while administrative accountability entails investigations by ombudsmen, auditing, and anti-fraud bodies (Bovens 2007a: 455–456). All these require corresponding accountability forums, which can actually be found in the EMU through (1) national parliaments and the EP (together with their respective voters), (2) national courts and the Court of Justice of the European Union (CJEU), and (3) the European Ombudsman, the ECA, and the European Anti-Fraud Office. In addition to such external sources of democratic control, there are accountability mechanisms internal to public organisations, for example, hierarchy within bureaucracies or professional peer review (Romzek and Dubnick 1998: 9). In the EMU, the Commission fulfils the criteria of a hierarchical bureaucracy with a clear managerial and financial accountability infrastructure (Wille 2010: 1108). At the same time, the Eurogroup and the ECOFIN Council routinely use professional peer review as a form of 'dynamic accountability' focused on mutual learning (Sabel and Zeitlin 2008: 303–304). For example, the application of SGP rules before the crisis was monitored in the ECOFIN Council through a process of multilateral surveillance that additionally included monitoring compliance with the BEPGs (Hodson and Maher 2001).

While each mechanism is important in its own right, political accountability overlaps most closely to the democratic delegation chain and the connection between those who hold political authority in a governance system (i.e. voters) and those who exercise it on their behalf (Fearon 1999; Strøm 2000) – in this case EU institutions. Moreover, the EMU's political accountability is relevant because of the nature of the policy field itself. Unlike market

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regulation – the classic domain of EU policy activity – the EMU affects constitutive functions of states such as the ability to tax and spend (through fiscal policy) and the use of a unique currency (through monetary policy) (Genschel and Jachtenfuchs 2014: 9). As a result, the types of accountability standards applied to market regulation, for example, clarity, legality, openness, and justifiability of decision-making processes (Majone 1998, 1999), are insufficient in fields of 'core state powers' such as the EMU (Genschel and Jachtenfuchs 2014, 2016).

In fact, there are several reasons why the EMU is substantively different from market regulation (Genschel and Jachtenfuchs 2018: 181–182). First, EMU policies have clear (re-)distributive implications: most decisions imply that some Member States gain (euros), while others incur losses.[6] By contrast, market regulation allows – at least on paper – the correction of market failures without making anyone worse off, following a Pareto-improving logic (Majone 1994: 81). Second, the costs for regulatory compliance in areas of core state powers are borne by Member States instead of market participants – which means the EU has gone beyond a mere 'regulatory state' (Majone 1999). In the EMU, governments have to be both willing and able to invest national fiscal capacities into complying with EU regulations such as the SGP or the European Semester. Third, and crucial for accountability, the material and ideational costs for integrating core state powers attract the attention of mass publics (Hooghe and Marks 2009), who are likely to reject re-distributive measures across Member States – as seen during the euro crisis in Northwestern European countries (Hutter and Kriesi 2019). Conversely, market regulation is rarely controversial enough to attract public attention and mobilise voters to the polls to oppose EU policies (Genschel and Jachtenfuchs 2016: 53).

Under the circumstances, the role of political accountability in the EMU is essential because it creates mechanisms to contest policy decisions in a redistributive, politicised field that impacts national fiscal capacities and economic performance. The main challenges and institutional constellations of political accountability in the EMU are discussed below.

2.2.1 *Political Accountability in the EMU*

In the EMU, the possibility for political accountability has been disputed from the beginning (Elgie 2002; Jabko 2003; Jones 2002; Verdun 1998). Due to its

[6] For example, even before the euro crisis, the EMU triggered redistributive effects owing to the 'one-size-fits-all' approach of ECB monetary policy (Enderlein and Verdun 2009: 494).

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institutional design and the uniqueness of the EU political system, EMU actors could not establish the type of electoral connection usually found at the national level. As EU decision-making involved many actors negotiating at different levels of governance, there could be no direct link between electoral preferences and EU policy outputs (Hix and Høyland 2011: 131–133). Moreover, as in other fields of EU policy activity, executive power in the EMU was fragmented, with several institutions responsible for taking non-legislative decisions with direct implementing or operational effect (Curtin 2009). Accordingly, the main decision-making bodies were either intergovernmental institutions (the European Council, the Eurogroup, and the ECOFIN Council) or supranational technocratic bodies (the ECB or the Commission). Both categories of institutions raised political accountability challenges: on the one hand, the collective decisions of intergovernmental institutions were decoupled from national elections; on the other hand, supranational technocratic institutions were delegated specific tasks that political actors had neither the expertise nor the appropriate mechanisms to oversee.

More generally, the accountability of intergovernmental bodies in EU decision-making has been a matter of controversy in academic debates. Some scholars consider that the European Council and the Council have no legitimacy problems because their members are accountable to their respective national parliaments and electorates (Moravcsik 2002). As described in Article 10 TEU:

1. The functioning of the Union shall be founded on representative democracy.
2. Citizens are directly represented at Union level in the European Parliament. Member States are represented in the European Council by their Heads of State or Government and in the Council by their governments, themselves democratically accountable either to their national Parliaments, or to their citizens.

In EMU decision-making, the emphasis falls on the European Council and the Council because the EP has a minor role in the adoption of policies. Nevertheless, the problem with intergovernmental institutions is that they take decisions collectively – often behind closed doors (Curtin 2014; Hillebrandt and Novak 2016) – which means it is impossible to disentangle individual responsibility (Brandsma 2013: 50–51). Moreover, negotiations are based on compromises, so national governments can rarely achieve domestic preferences as indicated by their electorates. This makes it difficult for voters to assign blame via the ballot box and thus hold EU actors accountable for poor (economic) performance (Hobolt und Tilley 2014). While national

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governments can be replaced, there is little voters or national parliaments can do to change their Member State's bargaining power in intergovernmental negotiations.

In response, defenders of intergovernmental decision-making point to national parliaments as the appropriate political accountability forum in the EMU. There is, however, significant variation among national parliaments regarding their involvement in EU decision-making and oversight, depending on their respective constitutional powers and relative 'strength' vis-à-vis their governments (Auel 2007; Bergman 1997; Raunio 2005). Since the euro crisis, the inequality between national parliaments has deepened in the context of bailout negotiations and fiscal reforms that transferred new powers to the EU level (Auel and Höing 2014; Crum 2018; Maatsch 2017; Moschella 2017). In fact, most authors agree that the role of national parliaments in scrutinising budgetary and fiscal decisions of their respective Member State has been reduced since the crisis (Auel and Höing 2015; Fasone 2014b; Jancic 2017; Rasmussen 2018; Rittberger 2014). From a structural perspective, the problem remains the distinction between individual decisions of national governments and collective decisions of intergovernmental bodies. National parliaments can only hold their respective government accountable but not the Council (or the European Council) as a whole.

Against this background, several reforms were introduced in recent years to strengthen the role of national parliaments in the EMU. First, national parliaments increased their scrutiny of European Council decision-making by organising more hearings either to discuss, ex ante, the mandate of their governments for such summits or to scrutinise, ex post, their outcomes and conclusions (Fromage 2017: 174). As mentioned above, the effectiveness of the effort depended on pre-existing oversight capacities at the plenary or the committee level, which again meant that some parliaments were more influential than others (Wessels *et al.* 2013: 37). Second, some national parliaments became involved in the European Semester, requesting to be informed of their governments' Stability or Convergence Programmes and National Reform Programmes, or alternatively, discussing the Country-Specific Recommendations (CSRs) (Rozenberg 2017: 44–45). Interestingly enough, existing studies found a higher interest in the European Semester from non-Eurozone rather than Eurozone parliaments (Hallerberg *et al.* 2018; Kreilinger 2016; Maatsch 2017; Rasmussen 2018). In fact, while the involvement of many parliaments in the European Semester has increased over time this has not been the case in the countries most affected by the crisis, for example, Cyprus, Greece, Ireland, Italy, Spain, or Portugal.

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Third, it was hoped that combining the resources of national parliaments and the EP would compensate for their respective asymmetries in the EU system and ensure a mechanism for joint scrutiny of EMU (Kreilinger 2018a). To achieve this goal, Article 13 of the Fiscal Compact introduced the prospect of an inter-parliamentary conference that would bring together relevant committees of the EP and national parliaments in order to discuss the EU's new economic regime. The first meetings were marked by conflict between MEPs and members of national parliaments, who could not agree on the scope and composition of the new conference (Cooper 2016). The conflict hindered the institutionalisation of an effective network for inter-parliamentary cooperation: when the Rules of Procedure were finally agreed in 2015, they specified the frequency of meetings (twice per year) but left open the issue of size and composition of national delegations (Rozenberg 2017: 46–47). Since 2012, the EP and Council Presidencies have co-organised an annual 'European Parliamentary Week', which coupled the Article 13 conference with a European Semester conference on exchanging best practices of parliamentary scrutiny in the Member States (European Parliament 2020b). This has led to the marginalisation of the Article 13 Conference and generated discontinuity between different events – whose focus was always determined by the country holding the Presidency (Lupo and Griglio 2018: 365). For all these reasons, the contribution of national parliaments to holding EMU actors accountable remains modest.

Moving to the EP, its most significant contribution to political accountability in the EMU concerned for the longest time the relationship with the ECB in monetary policy. In the late 1990s, the two institutions established a 'Monetary Dialogue' through which the ECB President would appear four times a year before the ECON Committee, a possibility now envisaged in Article 284(3) TFEU and regulated in the EP's Rules of Procedure. The practice of Monetary Dialogues has been researched extensively in the academic literature, with mixed results. On the one hand, the Monetary Dialogue was criticised for operating at a high level of generality, focused on debating economic and monetary policy issues rather than assessing the performance of the ECB in fulfilling its mandate (Amtenbrink and van Duin 2009; Braun 2017; Claeys *et al.* 2014; Gros 2004). On the other hand, scholars found that the Monetary Dialogue has improved over the years in terms of the relevance of topics discussed and the extent to which the ECB engages with questions from MEPs (Collignon and Diessner 2016; Eijffinger and Mujagic 2004; Fraccaroli *et al.* 2018). However, there is no shortage of suggestions of how the Monetary Dialogue could be improved in order to increase the political accountability of the ECB (Claeys and Domínguez-Jiménez 2020; Lastra 2020; Whelan 2020).

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Overall, the EMU is a field of executive decision-making *par excellence*, which raises serious concerns regarding its political accountability record. Moreover, the rapid expansion of executive power during the euro crisis has not been matched by a corresponding establishment of accountability mechanisms at the national or the EU level (Crum 2018; Dawson 2015; Rittberger 2014). Nonetheless, there were some reforms that empowered the EP in the EMU – as illustrated in the next section.

2.2.2 *Filling the Accountability Void? The Role of the EP after the Crisis*

The EP is a relative newcomer in the EMU: excluding the regular Monetary Dialogue with the ECB since 1999, the EP's activity in the field has been limited to participation in the few legislative dossiers adopted – and even there its influence was limited (Bressanelli and Chelotti 2018). It was in the context of the euro crisis that the EP's powers of scrutiny expanded. The logic was straightforward: 'any conferral of [new] powers to the Union level should be balanced by appropriate accountability requirements' (Interinstitutional Agreement 2013/694/EU between the EP and the ECB, Recital 4). In fact, the EP gained competences to scrutinise all new instruments except the ESM, which had been created outside the EU Treaties framework. In the SSM, the EP established multiple public reporting obligations for the ECB, considered by scholars as a possible model for the Monetary Dialogue (Fromage and Ibrido 2018: 306). Since 2014, the EP has held regular public accountability hearings with the chairpersons of both the SSM and the SRB. In addition, in the framework of the European Semester, the EP institutionalised 'Economic Dialogues' with the Commission, the Eurogroup, the ECOFIN Council, and individual Member States. The hearings or dialogues always take place in the ECON Committee, but all MEPs can send each institution written questions that have to be answered formally and in a timely manner.[7]

From a legal perspective, the consequences of the new scrutiny mechanisms are vague. While the secondary legislation establishing the new instruments – namely the SSM, the SRM, the Two-Pack, and the Six-Pack – clearly mentions accountability obligations and the role of the EP thereof, there are no provisions

[7] The possibility to address written questions to the ECB on banking supervision and the SRB on banking resolution is stipulated in the SSM Regulation (Article 20[6]) and the SRM Regulation (Article 45[6]), respectively. By contrast, MEPs send written questions to the Commission and the Council in line with Rule 138 of the EP's Rules of Procedure (European Parliament 2020a). As the Commission received thousands of written questions from the EP in the past, there is now a limit of five questions per month (European Parliament 2014e).

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on what happens when the ECB or the SRB avoids to answer questions or when an Economic Dialogue fails (Fasone 2014a: 175). The EP cannot sanction or correct the performance of executive actors in the EMU, even if MEPs had clear benchmarks to assess their performance – which they lack (Amtenbrink and Markakis 2019: 22–23). In respect of the Economic Dialogues, preliminary studies dispute the impact of such meetings on the institutions and Member States involved (de la Parra 2017: 117; Kluger Dionigi 2020). In this context, Fromage argued that the EP still needs to exploit the full potential of the new accountability instruments in the EMU; otherwise, it will remain an institution empowered 'on paper only' (Fromage 2018).

One of the relationships that stayed stable throughout the euro crisis is that between the EP and the European Council. Since the Maastricht Treaty, the European Council has been required 'to submit to the EP a report after each of its meetings and a yearly written report on the progress achieved by the Union' (Article 4 TEU). Before the Lisbon Treaty and the creation of a permanent President of the European Council, the task typically fell to the rotating Presidency of the Council, which attended EP plenary sessions after each European Council meeting in order to inform MEPs of summit conclusions. The right to be 'informed' placed the EP in a weak accountability position from the beginning: MEPs heard the decisions of the European Council but could do nothing about them (van de Steeg 2009).

After the Lisbon Treaty, the European Council President became responsible for informing the EP of the outcomes of European Council meetings (Article 15[6] TFEU). Unfortunately, the format of plenary sessions did not change during the mandates of Herman Van Rompuy (2009–2014) and Donald Tusk (2014–2019). In each session, the European Council President gives a long opening statement about the discussions and conclusions of the summit, followed by similarly long remarks by the Commission President. In advance of the plenary, the EP President decides if MEPs will take the floor for a full 'debate' or a 30-minute session of 'brief and concise questions' (European Parliament 2010b).

In practice, the 'debate' was the usual format for plenary sessions on the conclusions of European Council meetings.[8] In line with the EP's Rules of Procedure, speaking time was first allocated equally among political groups and later in proportion to the total number of their members (Rule 149[4] of the 7th parliamentary term). In the first round, MEPs would appoint a speaker

8 The author searched the EP website for plenary sessions with the European Council President during 2010–2015. All sessions followed the 'debate' format of EP plenaries. The transcripts of these debates are available in their original language.

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on behalf of their group and take the floor in the order of the relative size of the groups in the EP. Sometimes, the European Council President would speak after the first round and answer some of the questions raised (European Parliament 2010a); other times, he would just take the floor at the end for a closing statement (e.g. European Parliament 2014a). In any case, MEPs would not be allowed to speak twice in order to request a specific reply for a question that was evaded (van de Steeg 2009: 5).

Overall, this type of plenary debate cannot be considered a platform for political accountability because the format does not allow MEPs to ask questions systematically and receive answers from the European Council. If anything, plenary debates offer the space for MEPs to give speeches outlining the vision of their political groups on the issues discussed by the European Council. By contrast, committee meetings offer a more suitable format for executive scrutiny, allowing MEPs to question EU executive actors in a restricted format. For this reason, the oversight powers gained by the EP in the aftermath of the euro crisis – focused on parliamentary questions and committee meetings – constitute a more promising avenue for achieving political accountability in the EMU. Their actual effectiveness remains to be established.

2.3 SUMMARY

Given its far-reaching impact on Member States' economies, the EMU has always been central to the EU political agenda. The euro crisis exposed the flawed institutional architecture of the field and accentuated cleavages between Northern and Southern European economies. As the crisis deepened, the redistributive implications of the EMU became clear, and EU measures started to be increasingly contested by national publics. From a governance perspective, critics questioned the dominance of intergovernmental bodies in decision-making and the empowerment of supranational institutions in policy implementation. Against this background, the discussion about political accountability intensified – especially in respect of the role of national parliaments and the EP. Taking into account the structural limitations of national parliaments in the EU – which can hold their own governments accountable but not EU institutions as a whole – attention turned towards the EP and its newly acquired scrutiny powers. To what extent could the EP act as an effective accountability forum in the EMU? The next chapter puts forth the analytical toolkit to answer the question.

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