



BASIC PRINCIPLES FOR THE DEMOCRATIC LEGITIMACY OF EUROZONE GOVERNANCE

“The institutional architecture of the EMU is a mixed system which is cumbersome and requires greater transparency and accountability”

- [European Commission Reflection paper on the deepening of EMU](#)

The idea that the EU lacks democratic legitimacy is not new and has contributed to Brexit and fuelled the narrative of illiberal movements in Europe. When it comes to the Eurozone there is certainly cause for concern over a lack of accountability. It is vital that the EU overhauls the democratic process of how the euro is governed, ensuring accountability in good times as well as in times of crisis.

The ad hoc strengthening of economic governance rules and institutions in the midst of the euro crisis has exacerbated challenges to the democratic legitimacy of the Eurozone. There is a consensus that the current governance arrangements are incomplete, and that democratic accountability in particular needs improving. The European Commission, the European Council, the Eurogroup President, the European Parliament and European Ombudsman have all called for greater transparency and democratic control on the coordination of economic policies by the EU.

Blurred responsibilities between the national and European levels make it difficult to understand where decisions are effectively taken. When EU institutions exert discretion beyond what can be agreed unanimously among Member States, this poses a number of chal-

lenges in organising an effective accountability mechanism. Decentralised accountability – holding national ministers responsible for what was agreed at EU level – risks pitting different democratic electorates against each other, undermining trust and good governance at EU level.

Recent French elections and the European Commission’s reflection paper on deepening European Monetary Union (EMU) have reenergised the debate on Eurozone reform. To help make democratic legitimacy in EU economic governance more than lip-service, **the undersigned group of civil society organisations demand that the three basic principles listed below should guide the reform process**, to ensure legitimacy and consistency with the spirit of the Sustainable Development Goals. The EU Charter on Fundamental Rights and the EU Pillar of Social Rights should also be mainstreamed into all aspects of economic governance.

Reform of the way the Eurozone economy is governed requires fundamental decisions that will have an impact on basic public services and the life opportunities of citizens. Eurozone institutions therefore need to be responsive to their concerns directly and indirectly. We welcome the European Commission’s proposal to formalise the democratic accountability of euro area governance with an agreement between the Member States, EU economic governance institutions and the European Parliament before the European elections, which should later be included in the EU treaties.

The principles that underpin these institutions and decisions-making processes should be:

- **TRANSPARENCY – the public should know who is in charge**

Transparency is a prerequisite for democratic and accountable governance. As things stand, the Eurogroup has no formal decision-making authority, but pre-agrees euro area decisions that are subsequently rubber-stamped by the Ecofin Council. Citizens do not know who is ultimately responsible – ‘Brussels’, the Commission, Eurogroup, Ecofin, the ECB in Frankfurt, national governments or even individual ministers.

Institutions’ responsibilities should be spelled out clearly: by way of example, the European Stability Mechanism looks like an EU institution in public perception, though it remains outside the EU treaties. At the same time, the reform conditions it attaches to its ‘bailout’ programmes are directly controlled by the Member States. Proper accountability starts with identifying who is effectively responsible.

If meetings are not public, institutions should clarify proactively what trade-offs and compromises were made to achieve consensus or a qualified majority, e.g. via redacted minutes. Preparatory bodies such as the Eurogroup Working Group and Economic and Financial Committee should disclose their meeting agendas, forthcoming meetings, and programme of work.

- **ACCOUNTABILITY – align decision-making and responsibility**

Accountability should happen at the level at which decisions are effectively taken. If decisions on national budgets are effectively taken at EU-level, then control over such decisions equally needs to be moved to the European level. If budgets remain a shared responsibility, then some EU-level accountability is needed for the recommendations issued as part of the European Semester. This can be done without prejudice to national parliaments’ budgetary prerogatives.

For example, an improvement in the Eurogroup’s accountability could be brought about via the introduction of a full-time Eurogroup President, answerable to the European Parliament. This would recognise the executive nature of Eurogroup decisions and the need to increase parliamentary responsibility for economic

governance. Giving this role to the Commission can help replace negotiating dynamics centred on national interests with a focus on the European public interest.

The Commission has discretion in the application of economic rules. This discretion should be applied in a transparent way. Rules on economic imbalances should be applied with the same conviction as rules on debt and deficits, in order to reduce economic imbalances and promote growth and investment. Likewise, to achieve an optimal fiscal stance for the euro area as a whole, countries overshooting their fiscal targets should be pushed to adjust their policies just as much as countries undershooting their deficit targets.

- **DEMOCRACY - include all relevant stakeholders into decision-making**

Decision-making needs to be democratised by being more inclusive and participatory. Eurozone governance is currently a top-down exercise. On the national level, participation of social partners and civil society should be encouraged by including them in national fiscal boards and competitiveness councils, as well as encouraging a domestic parliamentary debate on the European Semester ahead of national submissions, increasing national ‘ownership’. At the European level, an element of participative democracy can best be organised via parliamentary involvement, complementing the views of the Commission and the Council, with those of social partners, think tanks, NGOs, academics, and more, in structured public hearings.

Furthermore, decisions that affect every aspect of the delivery of public services, e.g. on budgets and economic policy, should not be reached via ‘peer-pressure’ among government representatives only, as this excludes all opposition parties, and amplifies the negotiating power of the largest states.

As an example, giving real co-decision powers to the European Parliament on EU-level economic governance decisions can improve democratic engagement in the process. This could be done for important decisions such as opinions on draft budgetary plans and country-specific recommendations, bearing in mind that national parliaments have the final say. Today, the European Parliament is only consulted and routinely faced with done deals, limiting its engagement in the European Semester process.