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National Parliaments and EU Economic Governance: Countering the Debt Crisis

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While the sovereign debt crisis was ravaging the Eurozone and while the European Council was dominating the decision-making scene, even the most informed onlookers harboured little expectation that this would have a positive impact on the democratisation of the European Union. Although frequently viewed as losers of European integration, national parliaments have reacted promptly and gained as much from the crisis as they have lost. Not only have they compensated for the constraints suffered due to greater fiscal integration, they have acquired new prerogatives in EU affairs, created new avenues for the political contestation of EU policies, and brought the EU closer to the European citizens. National parliaments have become more Europeanised. They are effectively the beneficiaries of the euro crisis and there very good reasons for this.

The economic component of the Economic and Monetary Union is premised on the EU's close coordination of domestic economic policies in order to ensure price stability, sound public finances and a sustainable balance of payments in the Member States. These principles are upheld through broad economic policy guidelines (BEPGs), which are set out by the Council of Ministers on a recommendation of the Commission and after receiving conclusions of the European Council, while the European Parliament is merely informed of the outcome. Based on Commission reports, the Council monitors the Member States' adherence to these guidelines and checks whether they respect the fiscal limits of 3 per cent of GDP for the annual budget deficit and 60 per cent of GDP for public debt. The so-called excessive deficit procedure is envisaged in order to sanction deviations from these targets, which can result in the imposition of fines or non-interest-bearing deposits. These are the key aspects of what is known as the EU's Stability and Growth Pact (SGP), whose legal basis is laid down in the Treaty on the Functioning of the European Union and the relevant Protocol annexed thereto. While the SGP was honed by means of secondary EU legislation in 1997 and 2005, in response to the debt crisis the EU adopted a further set of measures to reform the governance of economic and financial affairs.

In November 2011, the so-called "Six Pack" (five regulations and a directive) established a new form of economic policy coordination called the European Semester, which is a six-month period lasting from January to June each year, during which BEPGs are adopted and implemented. The European Council defines economic

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priorities and gives general policy orientations to the Member States on the basis of the Commission's Annual Growth Survey. Taking these into account, the euro area Member States submit their fiscal plans to the Commission in the form of stability programmes, whereas non-euro area Member States submit convergence programmes. All Member States are also required to submit national reform programmes on the intended structural reforms aimed at boosting growth and jobs. The Commission then drafts country-specific recommendations (CSRs), which are endorsed by the European Council and adopted by the Council. The second half of the year is called the National Semester and it culminates with the national parliaments' adoption of annual budgets on the basis of the CSRs and within a very short timeframe.

In March 2012, all Member States except the UK and the Czech Republic acted outside the EU framework to conclude the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, known as the Fiscal Compact. This Treaty mandates the domestic enactment of the balanced budget rule in the form of binding and permanent provisions, preferably of a constitutional nature. This rule requires that the annual budget deficit be at its country-specific medium-term objective but no more than 0.5 per cent of GDP or 1 per cent of GDP where the public debt is significantly below 60 per cent of GDP.

All of this was complemented in May 2013 by the "Two Pack" of regulations, which further improved EU policing of the economic and budgetary planning in the euro area. It does so by enacting a comprehensive regime for the surveillance of euro area Member States experiencing or threatened with serious difficulties with respect to their financial stability as well as by streamlining the correction of excessive deficits.

The role of parliaments under the provisions of these legal instruments is minor. Apart from declarations of respect for parliamentary competences and certain rights to receive and exchange information, notably in the form of an "economic dialogue", both the European Parliament and national parliaments are de jure sidelined in EU economic coordination processes. The underlying assumption that the national budget will be decided between the government and the European Commission in isolation from parliamentary influence is palpable. Centre stage is instead occupied by the EU executive actors, spearheaded by the European Council, the Council of Ministers and the Commission. This raises questions of accountability for decisions that cut deeply into public money expenditure and thus into citizen welfare. Mechanisms for holding members of these EU institutions to account are either non-existent or ill-suited given the confidential, intransparent and speedy nature of decision making, which was further aggravated by the crisis. Especially the Prime Ministers and ministers, who sit on the European Council and the Council respectively, are bound to render account domestically to national parliaments. EU law explicitly requires this, too.

As the EU made inroads into the "most sacred" of their constitutional prerogatives – the budgetary sovereignty – national parliaments felt the threat of their power of the purse being invaded. Yet they did not sit idly by. Whether in the Eurozone or not, they have swiftly adapted their scrutiny to the new EU economic governance scheme. The examples of Portugal, France and the UK furnish a powerful illustration thereof.

As a bailout state that has undergone severe austerity and experienced significant external influence on its social policies, Portugal has completely overhauled its parliamentary scrutiny of EU affairs. The 2012 amendment of the European Scrutiny Act and several informal reforms have resulted in MPs henceforth concentrating on the scrutiny of strategic European Council matters rather than on the nitty-gritty technical matters of EU legislation. There has been a shift from ex post to ex ante policing of European Council activities, insofar as a plenary debate is now mandatory before each European Council meeting rather than after the last European Council meeting of each EU Presidency. The organisation of plenary debates on the European Semester, EU economic governance instruments and the Portuguese stability programme, called the Fiscal Strategy Document, have become a statutory obligation. Additionally, the Commission's Annual Growth Survey topped the list of the Assembly's scrutiny priorities in the past several years. Governmental ouster, the "nuclear weapon" in the arsenal of parliamentary powers, which is widely considered too radical to resort to in EU affairs, was employed in Portugal in March 2011, when the refusal of the Socrates Government's stability programme led to its resignation.

France, a country with a constitutional tradition of constrained parliament with a system where the budgetary process is under the tight grip of the government and with few possibilities for parliamentary intervention, has passed legislation to provide for obligatory plenary debates on the stability programme which end with a vote. This is a significant parliamentary empowerment as it allows MPs and senators to reject the government's plans. In legal terms, this counterbalances the government's constitutional right to make the adoption of the budget a matter of confidence and thus have it approved without the parliament's vote. In political practice, however, the holding of a vote on the stability programme is not a watertight guarantee because this statutory provision, despite a clear instruction to this effect, is implemented in accordance with a constitutional provision that enables the government to decide whether there will be a vote on declarations it makes in Parliament. This is a suboptimal solution and, since there is no compelling reason why the government should be allowed to monopolise the debate, parliamentarians should stand up for their right to pass a vote on each stability programme. The statute on the programming of public finances for 2011-2014 entitles them to it. Yet when the vote is indeed held and the programme rejected, the government is precluded from submitting it to the Commission. In any event, there are important deliberative benefits to holding debates, which are to politicise the public sphere and enable the citizens to reach an informed decision on the policies and behaviour of the executive. Furthermore, thanks to the initiative of several committee chairmen, it has become customary practice in the Lower House of Parliament, the Assemblée nationale, to adopt a resolution on the Commission's observations on France's stability and national reform programmes.

In the United Kingdom, every step towards greater EU integration poses a particular concern due to the legislative supremacy of the Westminster Parliament. Despite Britain's permanent EMU derogation, the European Semester does apply to the UK. Both the House of Commons and the House of Lords have not only thoroughly scrutinised the EU economic governance reform but often commented on matters that do not apply to the UK, which speaks of their wish to contribute to the wider EU policy-making debate. Their Lordships were particularly vocal in arguing that the European Semester is highly beneficial for the Member States and that it strengthens rather than downgrades the role of national parliaments. Furthermore, the 1993 European Communities (Amendment) Act is used as a legal basis to hold plenary debates on the UK convergence programmes. The House of Lords also holds six-monthly series of evidence sessions on the euro crisis to keep abreast of the fast-moving developments.

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In all the three Member States, the actual parliamentary scrutiny of the annual growth surveys, stability or convergence programmes, national reform programmes and country-specific recommendations exhibits the trend of increased parliamentary activity both in the plenary and in committee, especially in the European affairs and finance committees.

To further bolster their input in EU decision making, national parliaments and the European Parliament established in April 2013 an Interparliamentary Conference on Economic and Financial Governance of the EU. Its aim is to exchange information and best practice with a view to enhancing the legitimacy of EU decisions in the fiscal area. This is the third interparliamentary conference in the EU, besides COSAC and the one for CFSP/CSDP. Its political significance lies not in enforcing the political responsibility for EU economic coordination but in facilitating interparliamentary deliberation so as to discuss discrepancies, increase mutual understanding of the respective fiscal plans and thus upgrade the overall coherence between the national budgetary processes.

Furthermore, under the collective pressure of national parliaments, the Commission agreed to incorporate the European Semester into the political dialogue that it has conducted with national parliaments since 2006 in the form of the so-called "Barroso Initiative". This dialogue enables parliaments to express their opinions on any aspect of EU initiatives, including not only their subsidiarity and proportionality compliance, but also their legal basis, political opportuneness and the implications they may have for the domestic legal system. The Commission will therefore engage in an 'intensified dialogue' after it publishes the Annual Growth Survey and after the European Council endorses the Council's country-specific recommendations. Moreover, upon request by a national parliament, the Commission undertook to organise meetings either personally with its Vice-President for Economic and Monetary Affairs or another senior official or by videoconference.

The diverse and multilevel parliamentary reaction to the euro crisis and the reformed EU economic governance apparatus mitigates the forecasts of parliamentary erosion. To the contrary, national parliaments have seized the opportunity presented by the euro crisis, gained important juridico-political means of pronouncement and debate in EU affairs, and created new avenues of participation and cooperation in EU policy making. To conclude, the euro crisis certainly brought Brussels closer to the national purse, but domestic law and politics have proved resilient enough to counteract the deepening of the notorious democratic deficit, which has stymied the European integration process virtually since its inception. National parliaments have successfully weathered the storm, but in order to make full use of their scrutiny rights, they must continue to put pressure on the government and EU institutions to overcome the obstacles they encounter in his regard in the everyday political process.