

WHAT POLITICAL UNION FOR EUROPE?

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Notre Europe - Jacques Delors Institute organised a conference-debate in Paris on 11 December 2012 together with Policy Network and the Polish Institute of International Affairs and in cooperation with the Master Affaires Européennes of Sciences Po under the title “More integration, more politicisation, more differentiation?”. The speakers discussed what kind of European political union we are likely to see emerging from 2013 onwards.

The keynote speech “Towards a democratic macro-economic union?” was held by Simon Hix, Professor of European and Comparative Politics, London School of Economics and Political Science.

After that Olivier Rozenberg, Associate Research Professor, *Centre d'études européennes, Sciences Po* moderated a panel discussion between three researchers: Valentin Kreilinger, Research Fellow, *Notre Europe - Jacques Delors Institute* (Paris) spoke about “More democratic control for the euro-zone”; Agata Gostyńska, Analyst, *Polish Institute of International Affairs* (Warsaw) presented “Pre-ins in a differentiated Europe”; and Renaud Thillaye, Policy Researcher, *Policy Network* (London) addressed “Federalism by exception, Europeanisation and the UK existential question”.

The conference-debate ended with concluding remarks by Yves Bertoncini, Director, *Notre Europe - Jacques Delors Institute* on “Institutional issues and the political reality”.

1. More integration?

The report¹ which was elaborated by European Council President Herman Van Rompuy (in close collaboration with the President of the Commission, the President of the Eurogroup and the President of the European Central Bank) has called for a “genuine Economic and Monetary Union” and has put forward **three stages**:

- Stage 1 - Ensuring fiscal sustainability and breaking the link between banks and sovereigns;
- Stage 2 - Completing the integrated financial framework and promoting sound structural policies;

- Stage 3 - Improving the resilience of EMU through the creation of a shock-absorption function at the central level.

Simon Hix began in his keynote speech with the assessment that building the single market stands for a “**microeconomic union**” (creating and regulating a market); but that stages 2 and 3 as they are outlined in the report “Towards a genuine Economic and Monetary Union” refer to what should be called a “**macroeconomic union**”. He stressed that they are about creating a new set of structures, similar to the New Deal, providing Brussels with a real fiscal instrument to adjust economic shocks in member states and with rules that limit the choices of citizens and national parliaments in the whole area of macro-economic policies.

This constitutes a **fundamental shift in the governance of the EU** and is, in a sense, the third critical juncture: after the Common Steel and Coal Community with the Common Market in the 1950s and the single market with the Single European Act in the 1980s, institutional reforms since then have been a “follow-up” from the single market. The step from a “microeconomic union” to a “macroeconomic union” is now another big step, as significant as creating the single market and the rules governing it.



In his intervention **Renaud Thillaye** argued that integration is taking place, but that there is “no clear-cut shift towards fiscal federalism”. Three decisions were taken during the last year: the European Stability Mechanism was put in place and the European Central Bank pledged to intervene if necessary, the Stability and Growth Pact was strengthened (no fundamental change), and banking union was agreed. There are strong reasons to believe that **Economic and Monetary Union is not at the beginning of a journey towards a fully-fledged fiscal union**, this might even only be a kind of exceptional moment before a return to normal. Solidarity on a permanent basis seems difficult to imagine at the moment, so member states have agreed to tie their hands further and submit themselves to much stronger supervision instead.

Yves Bertoncini concluded on the question of “more integration?” that there is progress towards more integration, especially in the eurozone framework. The question that had been discussed was: **What kind of deeper integration? What are the scope and the content of this further integration?** He added that both “demos” and “kratos” (the power exercised at the European level) must be addressed when talking about democracy at the European level. Dispelling the “80% myth” (the idea that 80% of our legislation comes from Brussels) he recalled that the reality is different and that - maybe excluding some sectors like environment and agriculture - much less than 80% of legislation is produced by the European Union. With respect to **countries “under programme”** the situation is exceptional: these countries **have lost de facto their sovereignty**, and **de jure they are dealing with the IMF and the Troika and the EU is acting alongside the IMF.**

Banking union and fiscal union, however, **do not have the same consequences** in terms of accountability, according to Yves Bertoncini: banking union relies on technical mechanisms and banking supervisors should not be elected directly by the people; on fiscal union the story is different.

“Yes, more integration, but let’s be precise in our analysis of the scope of integration and about the consequences with regard to democracy and legitimacy.”
(Yves Bertoncini)

2. More politicisation?

In parallel to the question “more integration?” **Simon Hix** asked in his keynote speech: **“Where is the Politics [in Herman Van Rompuy’s report]?”** He explained that the argument that the public does not care about technical issues and regulations holds for a microeconomic union, but not for the macroeconomic union that is on the table: The report foresees European Parliament scrutiny of European Central Bank as a bank supervisor, scrutiny of national budgets by the European Parliament and national parliaments, and the integration of the Fiscal Compact into the EU architecture. But **the report is silent on important elements of more politicisation:** on Commission “election” or even “contestation”, on a possible merger of the offices of Commission President and President of the European Council President, on the relationship between the Eurogroup and the European Central Bank, or on how a “new fiscal capacity” for the eurozone would be accountable.

Simon Hix added that despite growing left-right contestation, high party cohesion and the possibility of rival candidates for the Commission Presidency in the 2014 elections, turnout in **European Parliament** elections is declining, national media coverage of politics in the European Parliament is low and there is a lack of public understanding of what goes on. European Parliament elections continue to be **“second-order national elections”** (often won by opposition parties and protest parties), they became less European and more national over the last 20 years.

Simon Hix’ data of the **roll-call votes on the Six-Pack showed a clear left-right split:** in fact the Six-Pack passed by a centre-right majority, on almost every issue the left voted against, but there was no press coverage about this.² **If there were elections tomorrow**, the result based on current national opinion polls with taking into account the characteristics of European Parliament elections (government parties doing worse and anti-European parties doing better), **the result would be a centre-left majority in the European Parliament** for the first time.³ This means that interesting politics might emerge over the coming years and that the European project is becoming more politicised.

Renaud Dehousse (in the audience), Director of the *Centre d'études européennes* at *Sciences Po*, referred to the German Christian Democrats and their vote of a resolution in favour of a direct election of the Commission President, a step towards more politicisation. At the same time their government takes steps into the opposite direction: **“There is a contradiction between discourses made and what governments subscribe to and advocate in practice when reforms are made to the treaty.”** He therefore expected “moderate enthusiasm” for more politicisation, precisely because **governments are not eager to transfer more powers to the European level**: according to him, they do it reluctantly, on the last minute, because they have no alternative. The only way for governments to accept Europeanization is to have non-majoritarian institutions which they trust better than their fellow political leaders in other countries.

Simon Hix responded that it is **natural for the governments to want to follow a model which they followed in the past** when they are delegating new policies to the European level and create and empower institutions which are beyond their control. There is, however, something qualitatively different between the Commission overseeing the implementation of the postal services directive and the Commission deciding whether a national budget can pass or is in breach of the balanced budget rule and referring this to the Court of Justice. The mechanisms to approve national budgets are going to be massively politicised: there was a huge uproar in Ireland, when the Irish budget for 2013 had been discussed in the Bundestag before it was discussed in the Irish Parliament.⁴ Simon Hix also said that he had argued **that the EU should have been politicised before**. With this new situation, he thinks that **the arguments of critics** who have said: “this is not politically salient, the public does not really care; if we politicise the Commission, it stops being a credible actor; you undermine the legitimacy of what are actually regulating questions” **do not hold any longer**.⁵

Among the panellists **Agata Gostynska** said that it cannot be excluded, however, that any attempts to further politicise the Commission’s activities could put forward the idea of designating some of its top officials for euro-related matters only and

thus change the nature of differentiated integration and the position of the pre-ins⁶ (see section 3). **Valentin Kreiling** pointed to politicisation along left-right lines between member states and referred to the “Pact for Growth and Jobs” advocated by François Hollande in order to complement the Fiscal Compact. Finally, **Renaud Thillaye** emphasised the need for Europeanisation of national politics and called the internalisation of the constraints of Economic and Monetary Union an important challenge.

In his concluding remarks, **Yves Bertoncini** expressed his support for politicisation of the EU. But he added that this does not only include a debate organised along party lines in the European Parliament, but that politicisation also relies on national lines: **there are two dimensions - trans-national parties and member states**. Citizens are well-aware of the “Commedia dell’arte” that takes place before the European Council meetings where national leaders are fighting for the national interest - that might sometimes be negative, but at least it shows them something very close to what Simon Hix told us was already there and could be developed. To this end, transparency with respect to the votes in the Council of ministers should be established. **The lines of member states and parties are crossing in national parliaments** whose role has been strengthened in the eurozone crisis: one of the challenges to be treated in order to have more politicisation is that if there is not going to be more substantial, there should at least be more perceived politicisation of EU issues.



3. More differentiation?

According to **Simon Hix**, **the position of the British government has changed**: for 50 years it has been to stop everybody else going ahead and to stop the others from agreeing things that might hurt Britain. David Cameron now wants everybody else to go ahead, wants the eurozone to integrate further, wants the ECB to be the lender of last resort, wants fiscal union, so that the euro economy can boom and Britain can sell goods to the eurozone. The situation is different for all the other countries – only the Czech Republic is perhaps the closest to the British position.

In his intervention, **Valentin Kreilinger** presented his view of “more differentiation”. First and foremost, **if the eurozone is integrating further and, as a consequence, differentiation in the European Union increases**. This leads to a lack of democratic control at the eurozone level. Separate bodies for the eurozone exist: the Eurogroup of the 17 finance ministers, the euro summit of the 17 heads of state and government, the European Stability Mechanism with its 17 contracting parties whose currency is the Euro, the European Central Bank. But there is no institution for democratic control at the eurozone level. Democratic controls only takes place at two other levels: in the **European Parliament**, where MEPs from all 27 member states exercise some control on eurozone matters at the level of the EU; and in the **national parliaments** which also exercise control on eurozone matters, each national parliament individually at the national level, during committee or plenary sessions before/after European Council meetings or euro summits. Strengthening control either at the EU-27 level or at the national level leads to more complexity and more inequality, because MEPs from member states whose currency is not the euro also vote on eurozone matters in the European Parliament, and because some national parliaments (like the Bundestag) have more powers than other national parliaments.

For the institutional design of **a body that exercises some democratic control of the eurozone** two choices must be taken and lead to six different models that could serve for a body to guarantee democratic control at the eurozone level: the size of the body (**should it be a committee or an assembly?**) and the composition of the body

(**should it be composed of MEPs, members of national parliaments, or both of them?**) In addition there are three questions linked to the design of the body. Firstly, what status would the body have; would it be an institution? Secondly, what would be the specific purpose of the body? Thirdly, what would be the specific competences of the body?

The model that Valentin Kreilinger proposed is a **mixed parliamentary committee of MEPs and members of national parliaments**⁷ – to assure accountability and scrutiny, with its competences limited to the control of decisions that are taken at the eurozone level and that have implications on national budgets. The committee would be composed of 17 MEPs from member states whose currency is the euro and 34 members of national parliaments – one from each chamber in case of bicameral systems, both government and opposition represented.

Agata Gostynska noted in her intervention the new quality of differentiated integration: the eurozone itself is highly differentiated (only 12 eurozone members are needed to have ratified the Fiscal Compact for its entry-into-force). Enhanced cooperation has been used as a tool since 2010, after it had previously only been a measure of last resort. The **need for differentiated integration has been acknowledged by the EU institutions themselves and even legitimised**: the European Commission “Blueprint”⁸ agrees that EU institutions should be somehow adjusted to deeper integration. From the perspective of the **pre-ins this is both thought-provoking and controversial**.

The consequences of differentiation for the pre-ins are both positive and negative. On the negative side, differentiated integration, if not within the treaties and not open, leads to fragmentation and could place pre-ins in the position of **second-class members**. It also poses a risk to the single market and other achievements of the EU; and differentiation within the EU institutions (Commission, Parliament) weakens the pre-ins’ influence on the decision-making process. On the positive side (from the pre-ins’ perspective), the eurozone is highly differentiated itself: this increases **bar-gaining power of the pre-ins**. They join forces, are more united and build alliances or reinvigorate them, like the Visegrad Group. Their interest

of being included and of keeping the EU coherent provides an opportunity to leverage the cooperation from its traditional fields. As the recent negotiations on the Single Supervisory Mechanism proved there is a **growing understanding for demands of the pre-ins** and of the implications of differentiation for them.

Valentin Kreilinger emphasised that with respect to its relations with **“pre-in” and “out”** member states, **a form of association would have to be found with the eurozone**, in line with the legal obligation of all member states except Denmark, the UK and implicitly Sweden to join the Euro. The committee to be created would **not take any of the competences of the European Parliament**, but would fill exactly the gap where no “central” democratic control takes place at the moment. It could find its legal basis in an inter-institutional agreement, but if another international treaty that empowers European institutions (like the Fiscal Compact) is being negotiated, the committee could find its legal basis there. This committee would allow addressing the lack of democratic control of the Eurogroup, the euro summit, the European Stability Mechanism and, once this part of the banking union is in place, the control of the banking supervision part of the European Central Bank. Valentin Kreilinger concluded that the **eurozone will become more integrated**, maybe not as quickly and not as deeply as one could hope in June 2012, but still, this **differentiation will grow further**. There will be a deepening of the integration in the eurozone in the short and medium term and there will be a growing number of member states whose currency is the euro in the medium and long term.

According to **Agata Gostynska**, in the case of the **Single Supervisory Mechanism**, the pre-ins have been in a better bargaining position, since the legal basis (Article 127(6) TFEU) provided for unanimity. Although in a leaked legal opinion written by the Legal Service of the Council it is provided out that full inclusiveness of the pre-ins is not legally viable⁹, there seems to have been a willingness to search for flexible solutions.

On this topic of differentiated integration, **Renaud Thillaye** added that in his opinion the United Kingdom exaggerates a lot what is going on in the eurozone and that it is not as isolated as it thinks to be. The British view is that the eurozone is shifting

towards something radically different – that actually might only happen in the long term.

Yves Bertoncini concluded that “more differentiation” is a political reality. The phenomenon is not new, as show the Schengen agreement and the eurozone launch. With respect to legitimacy and efficiency, differentiation can be a useful tool: countries are not compelled to participate, if they don’t want to – and the others are not blocked, if they want to go further. But, of course, there are conditions to be met: their key word is **openness towards citizens and towards countries willing to join**, as Agata Gostynska said. **The eurozone is the core of such differentiation**, but what has happened at the institutional level is not that substantial, as Renaud Thillaye said, the Fiscal Compact is not totally new, we have the Stability and Growth Pact, reinforced, and the surveillance of national policies was there already. On the other side, **solidarity at the eurozone level is brand-new** – it only existed at the EU27 level with the structural funds. There had been the non-bailout clause at the eurozone level, but, in return to this new solidarity, we have very harsh structural reforms undertaken in countries like Greece. eurozone countries and eurozone citizens then realise that being part of the monetary union is something special in terms of rights and in terms of disciplines: this could lead to a more differentiated integration within the eurozone.

“What is new, is not the institutional control, it is the political solidarity.” (Yves Bertoncini)



4. Small modifications or ordinary treaty revision?

Olivier Rozenberg noted that the **terms of the European debate have changed** during the economic crisis: from Maastricht to Lisbon Treaty, the debate was institutional about the weight of member states in the institutions in Brussels. Now there is a new debate: “Should we go for more macroeconomic policies? Which democratic control should be at the member states’ or the EU level? What should we do with member states that are not part of the eurozone?” **The way of talking, the European agenda has changed: this new framing is more pro-European than before.**

Simon Hix distinguished a minimalist and a maximalist option in his keynote speech. The **minimalist option improves democratic accountability within the current institutional set-up** and there would be no treaty reform. This is the route that has been suggested by the Van Rompuy report. The role of national parliaments in scrutinising both contributions to the ESM and austerity measures would be strengthened, maybe with a requirement that votes should be by majority or supermajority across the national parliaments. But the power of national parliaments over governments varies enormously.¹⁰ Simon Hix had also doubts about whether the European Parliament can sufficiently hold the European Central Bank to account and whether the European Commission had sufficient authority to have oversight of domestic macro-economic programmes and oversight of implementation of balanced-budget rules.

“We are going to move towards macroeconomic union in Europe – this is not going to be democratically legitimate and not going to be accepted by the public unless we have in parallel wholesome structures that allow for at least a more open political contestation than today.” (Simon Hix)

Simon Hix added that if one really wanted to make “genuine Economic and Monetary Union” watertight for political legitimacy, the Heads of State and Government would have to be more ambitious and opt for the maximalist option: **Referendums** should take place for the approval of the European Stability Mechanism: the creation of a fund that transfers significant redistributive resources up to the

European level represents a big constitutional decision. Referendums or elections linked to these decisions (like in Greece or the Netherlands) are risky, but the outcome would be much more legitimate. The Eurogroup should set some of the **key objectives for the European Central Bank by qualified majority vote** (inflation target, for example). The offices of the Commission president and the European Council president should be merged into one **“EU president”**, somebody who would be either directly elected or more clearly elected by the European Parliament. A “euro finance minister” should be appointed and be accountable to the EU president.

Conclusion

In the conclusion of his keynote speech, Simon Hix stated that the emerging macro-economic union in Europe will have **re-distributional consequences** between and within states. These re-distributional consequences are far greater than those of creating and regulating a single market. They need to be legitimised and the “losers’ consent” must be secured: why would the taxpayers in Finland or Slovakia and the youth unemployed in Spain accept the outcomes as legitimate? This should be done domestically, via national elections, parliaments, and referendums, but also at the European level: a minimalist reform of current practices (via stronger national parliamentary and EP control) is not likely to achieve this. We should think about **creating** a whole set of **political infrastructure** alongside this macroeconomic infrastructure that is being established and we should start by 2014.

In summary, the kind of European Union that is emerging according to the speakers is indeed **more integrated, more politicised and more differentiated**. As shown in this synthesis, the individual assessments and visions varied slightly. This also concerned **how this “more” would actually look like in qualitative and in quantitative terms**. In addition to that, the debate exposed that the three phenomena are interconnected: the precise effects of more eurozone integration on differentiation in the European Union remain to be seen; whether differentiation and politicisation will be two trends that go hand-in-hand is also an open question; and does more integration make more politicisation necessary?

1. European Council, *Towards a genuine Economic and Monetary Union*, Report by President Herman Van Rompuy in close collaboration with the Presidents of the European Commission, Eurogroup and European Central Bank, 6 December 2012,
2. Vote on the "Surveillance of budgetary positions and surveillance and coordination of economic policies", European Parliament, 28 September 2011, data from [VoteWatch Europe](#).
3. New prediction of the outcome of the European Parliament elections by Simon Hix and Michael Marsh; their previous project [Predict09.eu](#) ran from May to June 2009.
4. "Irish angry over budget leak to Germany", *Financial Times*, 18 November 2011.
5. Stefano Bartolini, Simon Hix, "Politics: the Right or the Wrong Sort of Medicine for the EU?", *Policy Paper No. 19, Notre Europe*, August 2006.
6. The term "pre-in" has been invented by the "Westerwelle report" for member states that are obliged to join the euro, but do not currently have the euro as their currency.
7. See also Antonio Vitorino, "Which institutions for the euro area?", *Tribune, Notre Europe*, September 2012.
8. European Commission, *Blueprint for a deep and genuine Economic and Monetary Union*, 28 November 2012, COM(2012) 777 final/2.
9. "Leaked legal opinion on eurozone banking union", *FT.com*, 18 October 2012.
10. See forthcoming report "National Parliaments and the European Council" directed by Olivier Rozenberg and Wolfgang Wessels on behalf of *Notre Europe - Jacques Delors Institute* and TEPSA for the European Parliament.

REFLECTIONS ON POLITICAL UNION

Yves Bertoncini, Valentin Kreiling, *Synthesis, Notre Europe - Jacques Delors Institute*, January 2013

THE EUROZONE, CORE OF A POLITICAL UNION

Jacques Delors, António Vitorino and the participants of the European Steering Committee, *Tribune, Notre Europe - Jacques Delors Institute*, November 2012

WHICH INSTITUTIONS FOR THE EURO AREA?

António Vitorino, *Tribune - Viewpoint, Notre Europe*, September 2012

FIRE-FIGHTERS, POLICEMEN AND ARCHITECTS FOR EUROPEAN INTEGRATION

Valentin Kreiling, *Synthesis, Notre Europe*, September 2012

FEDERAL LEAP OR POLITICAL UNIONS?

Yves Bertoncini, *Tribune - Viewpoint, Notre Europe*, June 2012

FOR A EUROPEAN FEDERATION OF NATION STATES: JACQUES DELORS' VISION REVISITED (book by Gaëtane Ricard-Nihoul)

Yves Bertoncini, *Synthesis, Notre Europe*, April 2012

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António Vitorino, *Tribune - Viewpoint, Notre Europe*, February 2012

EUROPEAN TREATIES AND NATIONAL DEMOCRACIES

Yves Bertoncini, *Tribune - Viewpoint, Notre Europe*, January 2012

THE FUTURE OF EUROPE: TOWARDS A TWO-SPEED EU? (book by Jean-Claude Piris)

Valentin Kreiling, *Synthesis, Notre Europe*, January 2012

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