

# EUROZONE AND DEMOCRACY(IES): A MISLEADING DEBATE

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## SUMMARY

The debate on democracy in the eurozone is often established on misleading bases, even if important democratic progress can still be made as regards the governance of the EMU. There is then a need to look beyond appearances on the basis of four series of political analysis.

**1. The intense debates generated by the eurozone crisis contribute to the democratic nature of decision-making at European level, whose foundations have to be better analyzed** (see pages 4 to 9).

The criticism of the EMU's "democracy deficit" often reduces the debate on its legitimacy to the negative impact of its actions (output legitimacy), in terms of popularity and in terms of effectiveness.

This criticism ignores the very intense debates the eurozone crisis has generated, and which are mainly based on cleavages between member states and between peoples (input legitimacy).

**2. The relations between the EMU and its Member States correspond to four different political regimes, whose impact is extremely variable** (see pages 9 to 14):

- the "IMF regime", according to which Member States that have accepted to bail out their counterparts financially demand in return the power to weigh on their fiscal, economic and social choices;
- the "UN regime", applied to control national fiscal excesses and macro-economic imbalances, on the basis of an outcome obligation but not a means obligation;
- the "hyper-OECD regime", for the monitoring of economic and social policies of State Members, allowing the EU to recommend, but not command;
- the "World Bank regime", based on the principle that if the EU provides financial aid to its Members States, this aid must be used to promote national structural reform.

**3. Three main types of powers are exercised in the eurozone framework, in a different democratic background** (see pages 14 to 20).

These powers are those exercised by the "fire-fighters" for crisis management; those leading the "architects" to (re) design the organization of the eurozone; and those allowing the "masons" to adopt and implement decisions related to the functioning of the EMU.

The review of the conditions in which these three types of power are exercised leads us to draw mitigated conclusions about the respective political influence of the various actors and the democratic concerns about their action (in particular as regards the European Council and the ECB).

**4. There is a need to consolidate the democratic dimension of the eurozone governance** (see pages 20 to 26), **via:**

- a "eurozone government" relying of faces and means, beyond the "eurozone summits" (for example a full time president of the eurogroup);
  - the reinforcement of the parliamentary dimension of the eurozone, through the creation of a eurozone sub-committee at the European parliament and the establishment of an interparliamentary conference of the EMU;
  - the use of the enhanced cooperation procedure, so as to reinforce the political and democratic foundations of the eurozone governance.
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