

# **HOW CAN PARLIAMENTS CONTRIBUTE TO THE LEGITIMACY OF THE EUROPEAN SEMESTER?**

## **Abstract**

This paper develops a standard for evaluating how parliaments can contribute to the legitimacy of the European semester. It then uses that standard to identify where national parliaments may be able to oversee the semester through their relationships to their own governments and where that solution may, conversely, be insufficient. The paper uses that analysis to raise four questions. First, what powers over the semester should be exercised by some parliament somewhere? Second, how should any parliamentary participation in the semester be distributed across European, national and even sub-national parliaments? Third, how far should parliaments co-operate in their responses to the semester? Fourth, how uniform across parliaments should participation in the semester be?

## **1. Introduction.**

The idea that the European Union is in democratic deficit originated as a claim that European integration has created forms of executive power that are insufficiently controlled by parliaments (Weiler 1997). The introduction of the European semester after 2011 has raised the question of whether ‘enhanced economic coordination at the European level...indicates a renewed trend of de-parliamentarisation in EU affairs’ (Auel & Hoing 2015: 376). Still, in the assessment of some (see p. xx), the semester has done rather little to constrain the policy choices of elected national governments to which national parliaments are linked. Yet, even if that assessment turns out to be correct, would it follow that the problem of how parliaments should oversee the semester has been avoided? I argue such a conclusion would be complacent. First, and most obviously, elected national governments can be unconstrained without parliaments having sufficient opportunity to debate, scrutinise or control the various policies co-ordinated by the Semester. The combination of unconstrained executives with constrained parliaments is precisely the problem of executive domination. Second, and less obviously, even the failure of the semester to achieve its purposes would raise difficult questions of how executives should relate to parliaments, and parliaments to parliaments, within a monetary union. Third, even if generally unconstraining of member state democracies, there could be unevenness in how far the semester limits the choices of elected national governments; and inequalities in how far national parliaments can influence the semester. Yet, some consistency of effort and equality of opportunity on the part of national - and even local and regional - parliaments may be a common concern of all democracies that participate in the semester.

I single out the foregoing difficulties with the help of an original normative analysis of what standards of parliamentary participation should be expected of the semester. Both member states and Union institutions have acknowledged a need for parliamentary involvement, notably in a report jointly written by the Presidents of the European Central Bank (ECB), the European Commission, the

European Council, the European Parliament (EP) and the Eurozone group (European Commission 2015a) Yet, parliamentary participation in Union decisions can take many forms (Neuhold & Smith 2015: 669-70). The semester is no exception. At least the following questions will need to be addressed before the nature of parliamentary involvement in the semester is fully settled. First, what powers over the semester should be exercised by some parliament somewhere. Second, how should any parliamentary participation in the semester be distributed across European, national and even sub-national parliaments? Third, how far should parliaments co-operate in their responses to the semester? Fourth, how uniform across parliaments should participation in the semester be?

Answering these four questions requires an analysis of how parliamentary participation should contribute to the legitimacy of the semester in the first place. Yet the study of the semester has not yet fully incorporated the normative literature on EU legitimacy. For sure, several studies (Alcidi et al 2014; Schmidt 2015; Ademmer et al 2016) helpfully apply the distinction between output (justification by results) and input legitimacy (justification by procedures) to economic and monetary union (EMU) if not to the specific question of parliamentary involvement in the semester. However, any evaluation of what are desirable outputs, inputs or even throughputs will depend on normative standards expected of the semester.

Recent normative debate has emphasized how democracies that share an EMU may need to follow standards that are specific to their common character as democracies. Richard Bellamy and Albert Weale (2015) argue that EMU needs to be a ‘normative order’ of democracies and not just a transactional relationship between states. Democracies can only enter into long-term commitments needed to create an economic and monetary union if each democracy can credibly commit to retaining its democratic legitimacy with its own ‘domestic population’ and each can be sure that all the others can credibly commit themselves in the same way (*ibid* 258-260).

Indeed, I argue here that the legitimacy of the semester should depend on how well it helps each member state democracy meet its own obligations to its own publics. That, in turn, has implications for the inputs, outputs and throughputs that should be expected of the semester and for how parliaments should participate in it. Section 2 justifies and explains my claim that the semester should help its participating democracies meet their own obligations to their own publics. Section 3 identifies challenges in meeting that standard. Section 4 discusses what inputs may be needed from national parliaments. Section 5 shows how national parliamentary participation may nonetheless be insufficient to secure outcomes needed to justify the semester. Section 6 draws conclusions for the four earlier questions about the content, distribution, co-ordination and uniformity of parliamentary involvement in the semester. Since, the semester is analysed elsewhere in this sub-issue, I will not describe its detailed workings here. However, section 3 does provide a broad introduction to its scope and content.

## **2. Legitimacy and the semester**

In arguing that the semester is legitimate in so far as it helps its participating democracies meet their own obligations to their own publics, I assume, first, that legitimacy is only needed where there is an exercise of political power (Barker 2003: 159). Second, that power is legitimate where it helps those over whom it is exercised meet their own obligations (Buchanan 2002). Third, that the semester has to be justifiable as a means of exercising power over its participating democracies and their publics.

Union policies can help member states meet their own obligations to their own publics by managing externalities between member democracies in ways needed to deliver rights and core values within those democracies. Problems of externalities between democracies are familiar (Joerges 2006).

Interdependent democracies can impose harms on one another (negative externalities); or fail fully to realise shared benefits (positive externalities) in instances where some can freeride on others. Yet, managing externalities between democracies is not just a matter of providing efficient solutions to

collective action problems. As I discuss elsewhere (References to Author 2015 & 2017) interdependent democracies will need to manage externalities between themselves if they are to secure rights and core values of justice and democratic self-rule.

Stable economic order, and stable money, within an EMU are positive externalities (Ademmer et al 2016: 7). Individual members of an EMU can also create positive and negative spillovers for others, which can, in turn, compound spillovers within member states from any collective benefits of EMU to more redistributive and, therefore, politically contentious outcomes (Enderlein 2006). Even more so than countries that can vary their currencies, members of a single currency may neither pay the full costs nor receive the full benefits of their individual decisions on taxation, spending, borrowing or the regulation of financial markets (De Grauwe 2011: 8-12; Eichengreen & Wyplosz 2016: 40). The semester can be understood as a framework for managing numerous externalities within an EMU. Not only the fiscal, but also the social and structural, policies co-ordinated by the semester are important to the underlying economic performance and solvency of each member state. Hence, together with plans for a banking union, the semester is part of the Union's response to the difficulties of sustaining a monetary union without negative financial spill-overs from excessive government borrowing or banking debt in any one member state.

However, managing externalities can only help interdependent democracies meet some, but not all, of their obligations to their own publics. Even benign technocracies can manage externalities. Yet, unlike technocracies, democracies also owe their publics procedural obligations of public control with political equality and individual rights to justifications for decisions. Why those obligations?

Regardless of whether democracy is intrinsically valued as a means of allowing citizens to author their own laws or more pragmatically justified as a way of avoiding arbitrary government, publics will need to be able to control the authoring, amendment and administration of those laws as equals (Bohman 2007: 2). Were, indeed, the right to public control to be distributed unequally – maybe because some

people have more votes than others – then there would be an element of rule of some of the people over others of the people (Estlund 2008: 37). However, even public control with political equality is insufficient. For even majorities elected by citizens who exercise public control with equal votes will need to justify decisions if the latter are not to be arbitrary acts of will (Forst 2007).

### **3. National democracies and the semester**

I have begun to suggest what the semester may need to do if it is to help its participating democracies meet their own obligations to their own publics. Its outcomes will need to improve on the management of externalities between member states. Its procedures will need to ensure standards of public control, political equality and justification. Hence, the rest of the paper assumes the following standard: parliamentary participation in the semester should permit the management of externalities between member democracies in ways that ensure public control, political equality and justifications for decisions are provided to each of those democracies.

Yet meeting that standard is unlikely to be easy. Already in its ruling on the Treaty on European Union (TEU), the German Federal Constitutional Court (GFCC 1993) noted how some benefits of international co-ordination – including, presumably, managing externalities - may presuppose ‘long-term international commitments’ (Bellamy & Weale 2015: 264) that restrict how far voters can choose and control their own economic policies by electing their national parliaments. Discussion of how far the semester may have made that predicament more acute is important to understanding possibilities and problems of parliamentary participation in it.

Outside monetary policy itself, EMU started in 1999 with modest commitments to co-ordinate policy and correspondingly high levels of national policy autonomy. As the ECB’s first chief economist,

Otmar Issing (2008: 20) put it, renouncing national currencies and ‘transferring responsibility for monetary policy to a supranational institution ... represented a fundamental change in the structure of the state’. Yet, it was assumed, that, if member states kept to the rules, they would still have ‘a lot of leeway’ (*ibid*) to make their own decisions on taxation, spending, social and structural policies. In overhauling the fiscal rules in 2005, the European Council (Presidency conclusions 22-3 March 2005) made explicit its view that the ‘legitimacy of the EU fiscal framework’ depended on member states being able to ‘implement the policies of their choice within the limits of the Treaty’.

The pre-semester combination of monetary centralisation and almost complete decentralisation of fiscal and other economic policies had obvious advantages for a ‘multi-democracy monetary union’, composed not of a single state, but of many states, each of them parliamentary democracies. Eurozone parliamentary democracies would be able to share a currency whilst mostly making their own decisions on taxation, spending, and borrowing. That would also preserve national autonomy in other choices - of specific public policies, of economic models, of forms of welfare state, and of core political values - that depend on fiscal autonomy. With fiscal autonomy, would also come individual responsibility. Precisely because national governments would mainly make their own choices over non-monetary policies, they could remain as responsible as before to their own publics and parliaments. Since the Treaty seemingly prohibited bail-outs, there would, be no joint responsibility for the mistakes (or misfortunes) of others. Member states would neither rescuers nor rescued be. They would be on their own in non-monetary policy and national parliaments could assume they were fully autonomous agents in holding them to account.

In contrast, the semester seems to intrude deeply into the autonomy of national economic policy-making. First, is its sheer scope. Its goal of evaluating and improving any public policy that could affect the ability of a member state to survive and thrive unaided in a monetary union, draws the Semester into the nooks of crannies of national democracies. As well as taxation, spending and

borrowing, the semester covers pensions, social benefits, labour markets, female participation in the workforce, and ‘wage-setting in line with productivity growth’ (Zeitlin & Vanherke 2014). All such policies are, of course, important to distributions of value within member states, and to the autonomous and sometimes idiosyncratic ways in which democracies construct their relationships with their own citizens through economic models and welfare states (Kreilinger 2016: 40).

Second, the semester is more of a *joint* decision-making process than original arrangements under which member states could largely satisfy their obligations to co-ordinate non-monetary policies by adjusting *individually* and in their own ways to the Union’s core fiscal rules set out in the Stability and Growth Pact (SGP). So long as member states produced outcomes consistent with those rules, the choice of means was largely their own. As the Commission has put it (2015b) ‘before the crisis, policy planning’ largely ‘took place at the national level’ in fiscal, structural and social matters. In contrast, the semester introduces a more integrated budgetary procedure, which is itself integrated into wider commitments to co-ordinate multiple economic and social policies. All member states follow the same simultaneous budgetary cycle. They submit their budgets (annual and multiannual) to Union institutions as soon as they are made public. They also have-Union level obligations a) to accept ‘peer reviews’ and multilateral surveillance of how well their budgets fit pre-agreed ‘adjustment paths’ towards ‘medium-term budgetary objectives’; and b) of the sustainability of a range of their economic and social policies under the Union’s macroeconomic imbalance procedure (MIP). Member states are then expected c) to respond to ‘country specific recommendations’ (CSRs). They can even be asked d) to alter their draft budgets.

Third, the semester seems coercive. For sure, the SGP has included sanctioning powers since 1998. Yet, the semester has widened the scope of the SGP and its fines from excessive debt to a wide range of macroeconomic imbalances. In dividing the SGP into ‘preventive’ and ‘corrective’ arms, the semester has also made member states liable for fines for failing to follow recommendations to prevent



problems, as well as failing to correct them. Sanctioning powers are seemingly also more automatic and less discretionary. If the Council decides a member state is not complying, the Commission is obliged to propose fines. The proposed fine will be adopted unless the Council votes otherwise by a ‘reverse qualified majority’ (OJ 1173/2011 & 1174/2011). Hence, the Council does not need a further majority to impose fines. Rather it needs a majority to forgive them. In complete contrast to Fritz Scharpf’s observation (2009: 182) that the Union usually protects national democracies by requiring large majorities to pass decisions, a refusal of a minority of the Council to block the Commission’s recommendation can be sufficient to fine a member state.

Fourth, the semester is iterative. It co-ordinates and constrains across time, as well as across national and Union competence. As Mark Dawson (2015: 53) puts it, ‘decision-making never crystallises into a “once-and-for-all agreement”’. Rather, it moves ‘back and forth between the national and European levels...in a never-ending cycle of budgetary monitoring’. Member states now decide their budgets in the shadow of past evaluations and future possibilities of prevention, correction or sanction.

Fifth the semester is supposed to be a ‘commitment technology’ by which member states visibly and credibly commit themselves to policy co-ordination. Yet just how much constraint may be needed if self-binding is to be credible is not just for member states to decide. Nor even is it just a matter of political choice, political standards or institutional design. It is also a question of what is credible with markets (Keleman & Teo 2014). Not only do markets have their own views on policy credibility, but the semester may itself need to adapt to and internalise those market expectations.

Cutting across all the foregoing is the question of whether the semester encroaches on member state democracies. There is nothing unusual – and, arguably, much that may be desirable - in co-ordinating national competence at the Union level. However, national governments must remain responsible to their own parliaments and courts for their own powers. Hence, the EU usually co-ordinates the latter

through a ‘Union method’, which is distinguished precisely by its non-bindingness from use of the ‘Community method’ to make the Union’s own laws (Bickerton et al 2015). In contrast, the semester co-ordinates vast and important areas of national competence through procedures that involve sanctions and allow majorities - or, arguably, even minorities – to define obligations.

#### **4. National Parliaments and the semester**

It is, however, one thing to point out, as the last section did, that the semester is potentially constraining of national democracies. It is another to work out how constraining the semester is in practice; and still another to draw lessons for how parliaments should participate in it. In exploring that difficulty, I start with national parliaments for the simple reason that the semester mainly co-ordinates national competence. I first identify where significant oversight of the semester could conceivably be achieved through the relationship of each national parliament to its own government. However, not all national parliaments may always be willing and able to satisfy the standard for parliamentary participation set out on page 5 within the practical constraints of relying on both national political systems and the EU’s own institutional order to deliver the aims of the semester. Understanding that difficulty demonstrates the dangers of confusing national policy autonomy with sufficient parliamentary participation in the semester. First, national executives may be unconstrained by the semester without national parliaments having adequate oversight of it. Second, the semester may constrain the policy autonomy of some elected national governments and the oversight of some national parliaments more than others. Third parliamentary participation in the semester may itself need to qualify national policy autonomy in some ways. I discuss the first and second difficulty in the latter half of this section, and the third difficulty in the next section.

Let me start with procedural standards of public control and justification. Peter Lindseth (2010: 28) points out that national parliamentary oversight is not the only means by which national democracies

can retain public control of Union decisions. Another is supervision of Union decisions by elected national governments. In Lindseth's view, a combination of supervision by elected national governments and national parliamentary scrutiny is often enough to adapt Union procedures to a common pattern of contemporary democracy, whereby governments are controlled by voters more than parliaments (*ibid*: 84), whilst parliaments help voters exercise that control by overseeing, contesting and demanding justifications.

Of course, Union decisions present a special challenge. Rather than oversee the individual decisions of their own governments within their own political systems, national parliaments have to oversee the contributions of their governments to a composite exercise of political power by a composite executive in the European arena. No one parliament or its voters can sanction or change more than one government or executive body that contributes to the semester (Crum & Curtin 2015: 66). Yet, is that really such a problem? Might the relationship of each national parliament to each national government even be enough? If, it turns out there are limits to how far the semester can work without the co-operation of each government, it surely follows that there is also at least some scope for the meaningful influence of each national parliament via its relationship to its own government?

Indeed, the semester may be more of an exercise of power *by* governments in co-ordination with one another than an exercise of power *over* governments. To date, no government has been fined. Governments have repeatedly been given more time to correct macroeconomic imbalances or meet CSRs. The rules have already been changed to put more emphasis on the preventive, rather than the corrective, part of the SGP. A report by the Bruegel Institute for the EP (Darvas & Leandro 2015: 1-2) argues that the 'rate of implementation of recommendations' under the semester is 'not higher' than the OECD's unambiguously voluntary recommendations for national economic policies.

There are, moreover, structural limits to how far any Union procedure - the semester included – can be coercive of member governments. Since the Union is not itself a state, it has to operate as what Fritz Scharpf calls a ‘government of governments’ (2009: 181). Far from being able to coerce governments into compliance, it is the Union which relies on national governments to enforce EU policy and law. Hence, the Union has to practice a form of ‘executive co-operation’ (Dann 2003). It has to secure the active and continuous co-operation of national executives by involving them in making the very policies and laws they are supposed to administer and enforce in their own member states. Thus, even where qualified majority voting is possible, decisions are usually taken with the highest possible agreement of all governments (Mattila & Lane 2001); and, even after they are taken, the application of decisions is often further adjusted in real time to what national implementing authorities are willing and able to do on the ground. As Charles Sabel and Jonathan Zeitlin (2008: 275) put it, ‘it is the distinctive role of the EU level to promulgate authoritative frameworks and oversee their enactment, while it is the distinctive role of the member states to adapt those frameworks to their own circumstances’.

Moreover, a need to base the semester on an intimate co-operation between executives at the European and national levels is unlikely to disappear any time soon. For sure, the semester builds on the Union’s highly original form of executive order (Curtin & Egeberg 2008). Yet, as just said, that order works in significant part by bringing together the executive capabilities of member states. Above all, the Union lacks the capacity to tax, borrow and spend needed for the fiscal aspects of the semester to take any other form than a co-ordination of national budgets.

Suggestions that the semester is unlikely to be constraining may, however, be over-stated. Score cards of implementation may be poor indicators of all the ways in which the semester may constrain the policy choices of member states. Given a need to maintain market credibility, confidence of partners, and access to risk pooling such as the European Stability Mechanism (ESM), the semester could have significant de facto authority over individual member states. Nor may scoring the implementation of

CSRs capture all the ways in which disciplines associated with the semester are already internalised into national rules. For example, the Fiscal Compact is not just delivered through the semester but also through the requirement that member states adopt a common fiscal rule into their own law. Likewise, the plan to introduce national fiscal boards that are, in turn, part of a Union fiscal board may mean that member states end up by following europeanised fiscal methodologies that are themselves the product of a European-level 'epistemic community' (Haas 1992) of experts with similar normative and causal assumptions. Then, of course, the semester could be a sleeping giant that may need to be applied more strictly over time to maintain the credibility of the euro itself.

However, even if the semester did little to constrain national policy choices in practice, that would only create a possibility of national parliaments controlling national policy adjustments to the Semester through their own governments. It guarantees neither a) that all national parliaments would actually have that opportunity; nor b) that any parliament would have adequate control over the semester as a system of relations between democracies sharing an EMU. Starting with point a), Union procedures, arguably, redistribute power more between parliaments and executives than they redistribute power between the national and European levels (Weiler 1997). The very structure of the Union as a form of executive co-operation assures national executives a large part in any powers exercised at the European level. On the other hand, the need for the Union to operate as an intimate co-operation of national governments does not easily translate into an opportunity for national parliaments to oversee Union decisions through their relationship with their own governments. In the case of the semester at least the following difficulties can be anticipated.

First, even if there are limits to how far it can impose unwanted policies on member states, the semester puts new procedural constraints on national parliaments. Agustín Menéndez (2012: 57) explains:

The whole procedural structure of national budgetary process gets to be determined by supranational law. In particular, there is a shift from the one-year budgetary process which has been a core of national democracy to five year-budgetary perspectives, which may be hard to reconcile with national election times, and may dilute national parliamentary control over governments.

Second, oversight presupposes an ability to overcome asymmetries of information that put parliaments at a disadvantage to the very executive bodies they seek to oversee (Krehbiel 1991). Given that the semester combines several procedures that move back and forth between member states, the Council and Commission, oversight of the semester requires national parliaments to build up expertise specific to the Union's political system. Yet it can be difficult to develop national parliamentary capabilities to monitor complex, unfamiliar and opaque Union procedures, or to keep attention focused on those procedures. For national parliamentarians - whose careers depend far more on how much time they commit to domestic politics (Saalfeld 2005) - there is an opportunity cost in committing time to Union matters.

Third, and perhaps paradoxically, both the fragmentation and co-ordination of executive power over Union decisions can constrain parliamentary oversight. Executive authority in the EU arena is often dispersed enough to make it hard for parliaments to apportion responsibility for Union decisions (Crum & Curtin 2015: 66). Yet, even at its most dispersed, Union decision-making is often co-ordinated enough between the national and European levels to constrain parliaments a second time over. Even the powerful domestic institutions of powerful member states may feel constrained from opposing decisions that are co-ordinated at the European level (Wagner 2006). Possible reasons for this reticence include a) concern to maintain the overall credibility of co-operative frameworks such as the semester; b) concern to maintain the reputation of their own country as a reliable negotiating

partner; c) patterns of reciprocity; and d) the bargaining costs of re-opening agreements which have been negotiated with difficulty.

Fourth hopes of national parliamentary oversight may get power relationships the wrong way round. How can national parliaments supervise Union procedures through their own national governments when, in many member states, it is governments which control parliaments? Indeed, Jim Bohman argues that national executives can practice forms of ‘reverse agency’ (2007: 7). Instead of controlling international co-ordination on behalf of national parliaments and publics, national governments can use international co-ordination to co-manage and constrain their own national democracies. Hence Habermas’ complaint that key decisions in the euro-crisis were taken by a ‘self-authorising European Council...confined to the heads of governments’ which then undertook to ‘organise majorities in their own national parliaments under threat’ of ‘sanctions’ (2012: viii). Here Habermas is referring to the very sanctions that backstop the semester.

Finally, turning to political equality, there are inequalities between national parliaments in how they can oversee the semester through their relationship with their own government. A national parliament may be the parliament of a member state that has less influence than others over the rules and practice of the semester. Governments of large and creditor member states seem to have more influence than those of small and debtor member states (Dawson & De Witte 2013). It has been difficult to define the MIP so that it is symmetric between member states with large and persistent balance of payments surpluses and deficits. If non-implementation really is a measure of ability to withstand pressure to adopt unwanted policies, Daniel Gros and Cinzia Alcidi (2015: 2-4) note that implementation is not just ‘spotty’: ‘it is mainly the small countries which tend to follow the recommendations. No large country has fully or substantially implemented its CSRs’.

On the other hand, national parliaments have had to adapt to the semester from different positions of relative strength in their own national political systems. In relation to the fiscal aspects of the semester, Hallerberg et al (2012: 70) show how national parliaments start out from large differences in their formal budgetary powers, which, they argue, vary, on a scale of 1-6, from 5 in four member states to just 1 in 10 member states. Valentin Kreilinger (2016: 37) uses COSAC surveys to show that ‘three quarters of national parliaments undertook’ some scrutiny. Yet, he notes differences in how for scrutiny is conducted ex ante in ways needed to shape outcomes of the semester pro-actively; and in how far it is conducted in plenary in ways needed to deliver the public forum role of parliaments.

##### **5. Parts of the semester individual national parliaments cannot reach**

Even, however, if each national parliament had full and equal control of the semester through its own relationship to its own national government that would not necessarily ensure adequate parliamentary oversight of the semester as a system for regulating relations between democracies which share an EMU. Let me briefly mention two examples. In framing a standard to evaluate the semester (above p.5), I suggested its outcomes should improve the management of externalities between participating democracies in ways that help each of those democracies meet their own obligations to their own publics to solve collective action problems and secure core political values. However, if any one member state has an interest in externalising harms to others or in freeriding on others, its own national parliament may have a similar interest (Grant & Keohane 2005). That does not mean that the semester should not be controlled by national parliaments. But it may mean that national parliaments have to accept some constraints on how far they or their governments can create externalities in exchange for some ability to control the overall system by which the semester manages externalities between its participating democracies.



As if the need to handle externalities within a monetary union of many parliamentary democracies is not challenge enough, parliamentary oversight of the semester will need to anticipate a second systemic difficulty: any system of independent central banking divides responsibility for monetary and fiscal policy. That creates a continuum of possibilities between monetary policy dominated by fiscal policy and fiscal policy dominated by monetary policy (Sargent & Wallace 1981). Where a currency area lies on the continuum is not just a matter of its institutional design, but also of strategic interactions between monetary and fiscal/political authorities, which can try to push one another into unwanted policy outcomes (Henning 2016).

Hence, as Wim Buiters puts it, ‘more harm than good’ can follow from independent central banking ‘where communication, co-operation and co-ordination’ between the monetary and budgetary authorities ‘are seriously impaired’ (2006). Moreover, co-ordination failures in normal times can become fatal in a crisis. Randall Henning (2016) argues that the euro-crisis was deepened by brinkmanship as the Eurozone governments tried to force the ECB into monetary accommodation and buying government debt, whilst the ECB tried to force Eurozone governments into fiscal consolidation and structural reforms. Thus, the public does not just have an interest in fiscal or monetary policy. It also has an interest in the ‘policy-mix’ between the two (Foresti 2015: 533). This raises a classic problem of how to ensure parliamentary accountability where responsibility for outcomes is not directly attributable to any one institution, but arises, instead, from interactions between them.

## **6. Conclusion**

I began by arguing that parliamentary participation in the semester should permit the management of externalities between member state democracies in ways that ensure public control, political equality and justifications for decisions are provided to each of those democracies. I went on to identify possibilities and problems involved in meeting that standard. I now return, by way of conclusion, to

the four questions about the nature of parliamentary participation in the semester set out in the introduction.

1: What powers over the semester should be exercised by some parliament somewhere? It is widely supposed the semester requires parliamentary scrutiny. But what kind of scrutiny? This analysis has demonstrated a need to overcome asymmetries of information and avoid *faits accomplis*. I consider asymmetries of information in a moment. Avoiding *faits accomplis* implies a need for scrutiny that works *ex ante* and includes opportunities for parliaments to put their own views on to the semester's agenda. It may, as Ben Crum and Deidre Curtin (2015: 82) note, help that it is member states that start by submitting their own draft budgets. Budgetary options can, therefore, be scrutinised by parliaments before drafts are even sent to the Commission. Thereafter, national parliaments can communicate their own reasoned opinions to the Commission, and request hearings 'between the publication of draft CSRs by the Commission and their deliberation and adoption by the Council' (COSAC 2013: 47). Still, it might be objected that scrutiny and rights to demand justifications are only soft powers, if parliaments do not also have control over the rules that structure the semester itself. Moreover, however the rules are configured, their application will require discretion. Discretionary judgements are likely to be needed to manage precisely those problems of externalities and policy mix discussed here. Ademmer et al (2016: 16-7) point out that the sign and size of policy externalities change the whole time. Likewise, optimal mixes of fiscal and monetary policy vary over the economic cycle. Where, however, policies require discretionary judgements, it cannot be enough for parliaments to participate in shaping the rules. They may also need some powers to sanction persons or institutions by dismissal from office or competence stripping. I mention dismissal from office in the next point. One element of competence stripping is presumably possible in so far as the Commission's role under the semester could be performed by the ESM or by a free-standing Eurozone Treasury.

2: How should any parliamentary participation in the semester be distributed across European, national and sub-national parliaments? Since the semester mainly co-ordinates national competence, I have emphasised national parliamentary oversight. But that is unlikely to be sufficient without contributions from the EP - and, even as we will see, local and regional parliaments - not to mention interparliamentary co-operation across the levels. Not just pooling of information between national parliaments themselves, but also the EP may be needed to reduce asymmetries of information between national parliaments and national governments (Kreilinger 2016: 9). Whilst, there are opportunity and ‘information costs to national parliaments’ (Lindseth 2010: 247) in building up the capabilities needed to follow any one Union procedure, the EP is specialised full-time in that task. EP scrutiny can operate as a positive externality from which national parliaments cannot be excluded and to which they are structurally linked by the formation of the EP’s own party groups out of national party delegations (Crum & Fossum 2013).

Beyond scrutiny, parliamentary participation in any evolution in the rules of the semester may obviously depend on the EP as the Union’s co-legislator, and not just on ratification of treaty changes by national parliaments. Oversight of discretionary judgements in the application of the rules may also require contributions from the EP. Problems of policy-mix imply that oversight of the semester will require some understanding of the connections between monetary and fiscal policy. Yet monetary policy maybe best scrutinised by the EP, given the ECB’s mandate to deliver an inflation target for the entire Eurozone. Even within the semester, the claim of national parliaments to oversee what is mainly a co-ordination of national competence may need to be combined with the EP’s claim to oversee a procedure that employs Union institutions and exposes the EU to loss of reputation and credibility. Hence, the EP has secured it own oversight of the semester. Nor to be underestimated, is the ultimate power of the EP to censure the Commission. On the one hand, the Commission has multiple agenda-setting roles within the semester. It proposes CSRs. It proposes putting member states under ‘preventive’ or ‘corrective’ procedures. It proposing fines. On the other hand, in all its responsibilities, the Commission operates under the shadow of parliamentary censure to a degree that has not always

been fully understood. For sure, censures are hard to pass. Yet, they are easy to initiate, and both time-consuming and embarrassing for the Commission.

3: How far should parliaments co-operate in their responses to the semester? Article 13 of the Treaty on Stability, Co-ordination and Governance (Fiscal Compact) allows for interparliamentary conferences of national parliaments and the EP on budgetary issues. Those conferences convene bi-annually. The January meetings are preceded by European Parliamentary weeks, which, as Kreilinger (2016: 50) notes, bring together the national and European parliamentarians who are most involved in the semester. In addition to reducing asymmetries of information, communication and co-operation between parliaments can have further benefits. First, it can promote what Davor Jančić (2016) terms the ‘positive-sum’ elements of the semester. Difficulties in enforcing unwanted policy adjustments on member states are plainly no obstacle to the semester operating as a form of policy learning (Zeitlin & Vanherke 2014). Co-operation to manage externalities and problems of policy-mix is pareto-improving, even if it also entails constraints on freeriding or on imposing costs and risks on others. Second, whilst, of course, any one parliament already contains many different opinions, the responsibility of each of the Union’s democracies for a body of rules that applies in all its democracies, might argue for some deliberation between parliaments. So, for example, in one session of the 2017 European Parliament week a representative of the German Bundestag and the Italian Senate debated precisely the question of how far ex ante rules or discretion are more important to the legitimacy of the semester (European Parliament 2017). Although, as this example shows, it is hard for actors to ignore their particular interests, the exercise of having to defend standards that can be shared and generalized is important to the development of any shared normative order (Forst 2007: 15). A further, paradoxical, reason for involving parliaments in dialogue on the rules is that member states might one day want to wind up elements of the semester. But that would itself presuppose embedding key objectives of the semester into national fiscal rules (Wyplosz 2013).

4. How uniform across parliaments should participation in the Semester be? If Bellamy and Weale are correct that democracies can only commit to an EMU on the assumption that all the other participants are also committed to maintaining the legitimacy of that economic monetary union in their own democracies, if the semester is necessary to EMU, and if parliamentary oversight is needed to sustain the legitimacy of the semester, then maybe minimum standards of parliamentary oversight are needed in each democracy that participates in the semester? That, perhaps, is a difficult and controversial thought on which to conclude. Yet the question of minimum standards of participation has even surfaced in the support of the Commission, EP and Committee of Regions for a code of conduct for the involvement of regional and local authorities and their assemblies (Committee of Regions 2015). As subnational authorities end up having to implement many CSRs, and as their budgets are indirectly affected, the semester reaches the whole way down into local democracy.

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