

The President

Brussels, 6 December 2012  
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## **REFLECTION NOTE**

### **DEMOCRATIC SCRUTINY FOR THE EURO**

The debt crisis has led to significant institutional change in the European Union. A whole set of new bodies, organs and procedures have been created to stabilize the Euro-zone without democratic scrutiny having kept pace.

The European Stability Mechanism (ESM) has entered into force as a kind of European Monetary Fund and is pooling 700 billion Euros in order to be able to provide credit to so called program-countries within the European Union.

Citizens in a number of Member States of the Union are submitted to Troika programs in order for their countries to regain fiscal sustainability with major effects on their economic and social living conditions without the criteria for the adaptations suggested being made fully transparent.

The ECB has considerably widened its scope of activities through non-orthodox measures including 3-year-credits to banks and the acquisition of short and mid-term state bonds of program countries.

A Single European Supervisor for Banks will be established in the foreseeable future with direct European decision making capacity going far beyond the existing national coordination. This is a major step in the pooling of sovereignty at the European level. It will most probably be followed by a European mechanism for banking resolution and further down the road a European deposit guarantee scheme.

The Fiscal Compact will determine fiscal policies in most of the Member States of the European Union in a major way.  
Further measures like contractual relations between the European Union and Member States to facilitate structural change are under discussion.

## Democratic scrutiny

All of those developments demand for a much more sophisticated system of democratic scrutiny at the European level.

A debate has started about who could provide the necessary legitimacy for this new system of policies and institutions surfacing, given that the Euro has only been introduced in seventeen Member States so far and a part of the new Institutions are inter-governmental in nature. National Parliaments as well as potentially new bodies to be created have been mentioned.

It seems nevertheless absolutely obvious that only the European Parliament directly elected by the citizens has the legitimacy and expertise to meet that challenge and can provide effective scrutiny at the European level.

Furthermore only one Member State has a legal opt-out, another enjoys an exemption but participates in all policies and has its currency linked to the Euro. Once the crisis is overcome we will in all likelihood see the gap between the seventeen and the twenty-seven narrow. The Union is therefore dealing with a transitional divide knowing that also the Fiscal Compact will have to be integrated into the Treaty five years from now. The scrutiny system therefore also has to be designed for twenty-seven minus rather than seventeen.

The Euro is the currency of the European Union. The European Parliament is the Parliament of the Union. The European Parliament is the Parliament of the Euro.

## The proposal

If the European Parliament wishes to fill the current scrutiny gap for the Economic and Monetary Union in its new dimension it needs to develop an efficient tool that provides the necessary resources in terms of staff support, meeting time, plenary access and dedication of Members. The importance, but also the sheer volume of the task requests a specific body fully dedicated to democratic scrutiny.

A Committee is entitled to six own-initiative-reports in parallel. It is provided with up to two days of meeting time during Committee weeks and seven administrators and four assistants in terms of staffing. It has evidently its own Committee Bureau and Coordinators dedicating their time and efforts to the success of the Committee. It can organize hearings and command studies and is entitled to fact-finding missions. It will therefore dispose of all the necessary means to accomplish that challenging task.

It is thus suggested to establish a Committee on Economic and Monetary Union focusing on democratic scrutiny.

Tasks:

- relations to the ECB
- economic policies in the euro area
- monetary policy



- scrutiny of single banking supervisor
- euro-area plus pact
- relations with the euro-group
- ESM
- Troika programs
- fiscal compact

### Decisions to be taken

1. The Conference of Presidents will need to decide whether to establish that Committee as a Sub-Committee of ECON or as a stand-alone Committee.

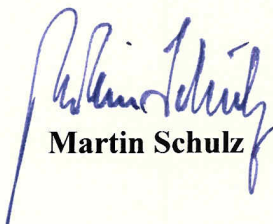
A Subcommittee of ECON would allow to keep the closest possible working relationship between the legislative tasks in ECON and the responsibility for scrutiny.

A stand alone Committee on the other hand would more fully reflect the importance of the task to be carried out. Expertise could not only be drawn from ECON but for example from the Committees on Budget and Employment as well.

2. Given the specific responsibility of that Committee for the Euro, membership could be focused by political decision on parliamentarians from Euro-zone countries and countries with a legal obligation to join. It could also be taken into account that Denmark has pegged its currency to the Euro and joined both the Fiscal Compact and the Euro Plus Pact.

The unity of Parliament will be assured by the plenary.

3. The new Committee could take up its work next year.



**Martin Schulz**