PERSPECTIVE

DEMOCRACY AND HUMAN RIGHTS

MAKE EU ECONOMIC POLICY ACCOUNTABLE

How to Reinforce the Democratic Legitimacy of European Economic Governance

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Due to the latest reforms during the crisis in the euro area, European economic governance has evolved into an overly complex structure lacking sufficient democratic legitimacy.

To grant citizens more influence on European economic policy, it is necessary to better clarify responsibilities for European economic governance, make it more transparent, and simplify the institutional structures.

The European Parliament and the Commission should have more influence on setting the policy objectives. The European and national parliaments should be more involved in the European Semester on their levels. Intergovernmental structures outside the EU and differentiated institutions inside the EU need to be abolished.

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1 INTRODUCTION

The Economic and Monetary Union (EMU) is the policy area of the European Union (EU) that underwent the most profound changes since the Lisbon Treaty entered into force in 2009. The EU reacted to the global financial crisis and subsequent sovereign debt crisis with extensive crisis packages and an imposition of austerity measures on member states requesting financial support. When the sovereign debt crisis, amplified by strict austerity, turned into a long-lasting economic crisis in the euro area, limited economic stimulus packages were added to the crisis response measures. In reaction to the current economic recession caused by the COVID-19 pandemic, the Council adopted among other measures the »European instrument for temporary support to mitigate unemployment risks in an emergency (SURE)« (Council of the European Union 2020). It is of highly symbolic value, as it adds a clear social policy dimension to the rescue package. The initial crisis response measures were followed by the European Commission's (2020a) proposal for an economic recovery plan of unprecedented scale, comprising an adjustment of spending priorities under the next multi-annual financial framework (1,100 billion euro) and a new temporary recovery instrument »Next Generation EU« (750 billion euro).

In parallel to emergency measures to contain the crises in the euro area over the last decade, fundamental reforms have been undertaken to fix errors made during the construction of the EMU. The so-called »Six Pack« and »Two Pack« reformed the Stability and Growth Pact to reform the excessive deficit procedure. The European Semester restructured economic governance in the euro area and should, together with the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (Fiscal Treaty), ensure a sound fiscal policy on the national level. The Banking Union, comprising banking supervision, a single resolution mechanism, and a deposit guarantee scheme, shall prevent future financial crises in the euro area, while the European Stability Mechanism (ESM) shall step in on the occasion of future sovereign debt crises (Klein/Plottka/Tittel 2018: 151–152). The »European Pillar of Social Rights« (EPSR) was adopted to strengthen the EU's social dimensions (Hacker 2018) and the »Social Scoreboard«, based on the EPSR, feeds into the European Semester to also monitor member states' social performance (European Commission 2020b).

Looking at European economic governance or policy in a broader sense, which includes all EU-level economic policy instruments, shows that it has evolved into a rather complex structure based on EU secondary and primary law as well as international agreements outside the EU Treaties and national legislation. Differentiated integration in the EMU is not a simple divide between euro area member states and non-members. Instead the applicability of governance mechanisms has evolved into rather sophisticated patterns, due to formal and informal differentiation within EU law and the newly signed treaties outside EU law. European economic governance involves EU institutions, newly created institutions such as the ESM or the Euro Summit, international institutions like the International Monetary Fund (IMF), and national institutions for implementation. The procedures and competences of the various institutions involved differ depending on the specific area. However, the general trend is obvious: while the European Commission was assigned new competences and powers, the European and national parliaments were sidelined. The recently proposed economic recovery plan will most likely further accelerate this trend.

Even the European Commission considers the governance overly complex. It has launched an economic governance review to increase its effectiveness and transparency (European Commission 2020c) and committed itself to strengthening the European Parliament's role in European economic governance (European Commission 2019: 15). While increasing its transparency is key to reinforcing its democratic legitimacy, the reform debate needs to be more fundamental. As the financial volume of the new »Next Generation EU« instrument will be of unprecedented size and as it will mostly assign grants instead of loans, the questions of democratic legitimacy and accountability of European economic policy are more urgent than ever before.

This paper explores reform approaches to overcoming the democratic deficit in European economic policy. The discussion is structured along the concepts of input, output, and throughput legitimacy. It concludes that reforms that do not address the overall structure of European economic policy need to focus on reinforcing input and throughput legitimacy by:

- better clarifying responsibilities for European economic governance;
- making European economic governance more transparent;
- eliminating overly complex institutional structures.

Addressing these issues is in line with strengthening European democracy by making European elections more meaningful and giving voters a decisive choice in European elections (Müller forthcoming). Based on the analysis, the paper proposes concrete recommendations to reinforce the democratic legitimacy of economic governance in the euro area from the short, medium and long-term perspective. It does not provide recommendations for making European economic governance more effective.

2 REFORM NEEDS

Traditionally, output legitimacy was considered sufficient to legitimise European integration, most notably the Common Market. Against the backdrop of the reforms in European economic governance during the last decade, the authors consider this argument as refuted and claim an additional need for legitimacy (Majone 2014). Therefore, this chapter assesses the European economic governance's ability to generate input and throughput legitimacy after having discussed its potential for output legitimacy.

Output legitimacy is generated by effective governance for the people contributing to everyone's welfare (Scharpf 1999), while input legitimacy refers to government by the people. It is generated when citizens' demands are turned into policies and politicians are responsive to voters (Scharpf 2005). Throughput legitimacy (Schmidt 2013) focuses on the procedural character of legitimacy and measures the quality of decision-making processes according to four criteria: accountability, transparency, inclusiveness, and openness (Schmidt/Wood 2019: 730).

OUTPUT LEGITIMACY IN THE ECONOMIC AND MONETARY UNION

The regulatory state argument was used to justify why the European Union does not require input legitimacy (Majone 1999). Policy areas allowing pareto-optimal solutions should not be subject to majoritarian politics but governed by independent institutions. Under the strict condition of not dealing with redistributive policies, they focus on creating output legitimacy.

Ultimately, during the crises in the euro area, ***European economic governance crossed the Rubicon*** and Majone concluded that the »democratic deficit of the EU would turn into a democratic default« (2014: 1221). The Franco-German proposal for a recovery plan to tackle the current recession (German Federal Government 2020) and the European Commission's proposal for the »Recovery and Resilience Facility« (European Commission 2020e) would go one step further. It assigns the EU-level institutions with instruments of considerable redistributive effects.

A second argument for why output legitimacy should have sufficed for European governance refers to citizens' limited interest in policy areas covered by the EU. Its competences are restricted to areas of limited public interest (Moravcsik 2002: 606). The end of the permissive consensus and a general trend of the politicisation of EU-level politics (Zürn 2019) undermine the argument. Furthermore, there is widespread agreement in the scholarly literature that ***the crises in the euro area boosted the politicisation of EU policy*** (Kriesi/Grande 2016).

In addition to European economic governance's increasing need for input legitimacy, as output legitimacy does not suffice to legitimise redistributive politics, there are ***serious doubts concerning the EU's ability to generate output legitimacy in the area of EMU***. The euro area lacks a homogeneous economic development because cohesion policy failed to provide cohesion. Not being an optimum currency area (Mundell 1961) and undergoing different business cycles in each member state, European monetary and still limited macroeconomic policy are »one size fits none« policies. They remain insufficient to provide output legitimacy in all its member states. Therefore, enabling the EU to generate output legitimacy through economic policy would require more fundamental reforms of the EMU.

INPUT LEGITIMACY IN THE ECONOMIC AND MONETARY UNION

Input legitimacy requires a transmission of citizens' inputs into political decisions (Scharpf 1999: 16). On the EU level, making European elections more decisive by empowering the European Parliament in European economic governance, is a direct way to generate input legitimacy. The alternative option of strengthening the role of governments in European economic policy is necessary only if a polarisation of political debates takes place between countries. Empirical findings, however, disagree on whether polarisation takes places across national borders (Statham/Trenz 2012) or between countries (Leupold 2016). This section assesses whether European economic governance provides EU citizens with a direct say either through European or national elections and concludes:

- Citizens have a direct say on defining priorities on the spending side of the EU budget.
- The European Parliament lacks influence on the income side and the size of the EU budget is far too small to generate input legitimacy.
- The governance structure of the proposed »Recovery and Resilience Facility« would reduce the democratic legitimacy of EU-level spending.
- The European Semester sidelines the European Parliament as well as national parliaments and empowers the executives on the EU and national level.
- The ESM crisis management structures empower the executives, sideline parliaments, and lack a clear definition of competence during supervisory missions in recipient states.
- The high degree of substantial regulatory content in EU primary law and related treaties further accelerates the lack of input legitimacy.

The ***spending side of the EU budget*** is the policy area within European economic policy where the European Parliament has the strongest say. Together with the Council, the European Parliament forms the common budgetary authority for the annual budget (art. 314 TFEU) and has a veto concerning the multiannual financial framework (MFF, art. 312 TFEU). By threatening to use its veto, the European Parliament also gained influence over the priorities defined within the MFF, despite lacking the power to make formal amendments. The budgetary procedures allow the European Parliament to transform European election results into spending priorities to generate input legitimacy. Therefore, the proposal to manage the largest share of the recovery plan for Europe through the MFF is the democratically most legitimate response to the crisis.

However, there are other aspects that limit the influence of the European Parliament on the EU budgetary policy. Most importantly, the Parliament lacks influence ***over the income side of the EU budget***. It is only consulted on the decision about the EU's own resources (art. 311 TFEU). A second limitation is the size of ***the EU budget, which is far too small*** to be used for effective economic govern-

ance. Either a much larger EU budget or closer coordination between EU and national budgets' spending priorities (Fasone 2018) would be required for effective policy.

The proposed »Recovery and Resilience Facility« (RRF) within the »Next Generation EU« instrument would address this deficiency by giving the EU more leverage in economic governance (European Commission 2020c). However, the ***RRF's proposed governance structure falls short of being democratic***. It establishes a new facility governed by the Commission in cooperation with the member states, even though the new MFF proposes integrating another previously strict intergovernmental instrument, the »European Development Fund« (EDF), into the European Parliament's budgetary authority.[1] The RRF would allow the Commission to give 560 billion euro in grants and loans to member states, after having negotiated »Recovery and Resilience Plans« on a bilateral basis, while the European Parliament has no influence over the procedure (Guttenberg/Nguyen 2020: 2). The proposed RRF would thus be another example of »enhanced policy coordination« (Rasmussen 2018: 345) that underpins the Commission's authority as a technocratic supervisor of national economic policies.

The prime example of »enhanced policy coordination« is the European Semester, which provides the European Commission with the authority to review national economic, fiscal, and social policies. ***The European and national parliaments are sidelined in the European Semester*** as they do not have any decision-making powers during the process. The former adopts an opinion on the employment guidelines and debates the annual growth survey in plenary, which can include the adoption of an own-initiative resolution. As both documents are just consultative the Parliament's influence is limited.

The ***European Semester empowers the executives vis-à-vis parliaments***. In addition to its strong supervisory authority, the Commission drafts the annual growth survey, the recommendations for the euro area, and the country-specific recommendations. For the former two, the Council adopts conclusions and the European Council provides policy orientations. The country-specific recommendations are endorsed by the European Council before they are formally adopted by the Council. National parliaments do not even adopt the national reform programmes, which serve as a basis for the Commission's country-specific recommendations.

These ***deficits are also to be found in the EU's crisis management structures***. While emergency measures adopted under time constraints during the sovereign debt crisis might explain this »ad hoc technocratisation« (Enderlein 2013) in the past, the governance of the ESM as the EU's permanent rescue fund is of more concern. The ESM governance structure combines the strong supervisory powers of the Troika (Commission, European Central Bank, and IMF), decision-making by the board of governors, comprising the finance ministers of all ESM shareholders, and the exclusion of parliaments. The deficits are further accelerated as the ESM Treaty lacks a clear definition of the Troika's competences. Therefore, it is open to a rather wide interpretation, allowing for a considerable limitation of national parliaments' competences during the supervision of national governments by the Troika (Wiesner 2017: 57, 59).

The ***high degree of substantial regulatory content in EU primary law and related treaties further accelerates the lack of input legitimacy*** in European economic governance. Since the Treaties of Rome, EU primary law contained a provision on the abolition of trade barriers and on competition policy (Scharpf 2008: 54). Based on this liberal bias of the EU Treaties, it was easier for the Commission and the European Court of Justice to promote deregulation (Weiler 1994) than for EU legislators to adopt regulatory measures (Höpner/Schäfer 2010). The same principle applies to fiscal policy: art. 126 of the Treaty on the Functioning of the European Union (TFEU) and the Fiscal Treaty strictly limit the member states' ability to borrow, excluding certain policy options from the political agenda. These restrictions limit substantially the ability of the European Parliament and national parliaments to respond to voters' demands.

As the discussion of EU-level instruments necessary for effective macroeconomic policy are outside the scope of this paper, the recommendations concentrate on strengthening input legitimacy within the existing governance structure of the EMU. Giving the European Parliament decisive power is necessary to represent transnational citizens' demands and to mediate intergovernmental conflicts, thus making economic governance more effective.

THROUGHPUT LEGITIMACY IN THE ECONOMIC AND MONETARY UNION

In addition to input and output legitimacy, the concept of throughput legitimacy (Schmidt 2013) focuses on the procedural character of legitimacy and measures the quality of decision-making processes according to four criteria: accountability, transparency, inclusiveness, and openness (Schmidt/ Wood 2019: 730). Based on these criteria, this section assesses the quality of the decision-making procedures in European economic governance. It finds a democratic deficit in European economic policy due to the following deficiencies:

- The Commission is not really accountable for its spending decisions under the proposed new RRF.
- National governments' accountability for the decision about the EU's own resources is rather limited and indirect through national elections.
- Responsibility for decisions in the European Semester is blurred between the Commission and the Councils, due to the overly complex structure of the process.
- Holding the Commission accountable for its economic policy is to a limited degree possible, due to its overall responsibility to the Parliament under art. 17 (8) TEU.

[1] It shall be integrated in the new »Neighbourhood, Development and International Cooperation Instrument« (European Commission 2018).

- The Parliament can neither hold the Councils nor national governments accountable for their EU-level economic policies.
- Despite the European Parliament's considerable efforts to gather information on European economic governance, these instruments do little to create public transparency.
- The informal nature of the Eurogroup and the fact that the ESM Treaty and the Fiscal Treaty are international agreements outside EU law considerably limit the transparency of European economic governance.
- Despite the macroeconomic dialogue, European economic governance completely lacks the EU-level involvement of civil society and other stakeholders.

Already in 2012, the report »Towards a Genuine Economic and Monetary Union« (van Rompuy 2012: 16) called for clear democratic ***accountability*** in European economic governance. However, it has not been established since then. While ***the European Parliament is accountable to EU citizens for setting spending priorities in the EU budget and in the MFF, it can neither hold the Commission accountable for decisions under the proposed RRF nor national governments for their decision about the EU's own resources***. To also establish accountability on the income side of the EU budget, the EU has to be financed by its own tax revenues on which the European Parliament and the Council decide. As long as the decision about their own resources is taken by national governments, the negotiations will follow the logic of the »net contributor debate« instead of setting the necessary priorities, as the current position of the »frugal four« on the recovery plan underlines (Government of the Netherlands 2020).

To better control the actors involved in the European Semester, the European Parliament established the »economic dialogue«, resembling the »monetary dialogue«. It has the right to invite the European Commission, the Presidents of the Council, the European Council and the Eurogroup as well as representatives of the European Central Bank, the IMF and member state governments[2] to its Economic and Monetary Affairs Committee (ECON, Chang/Hodson 2019: 352). However, there are no sanctions foreseen to force reluctant guests to face the committee and only the European Commission and the Presidency of the Council are formally obliged to attend committee meetings (Fromage 2018: 286).

Between January 2014 and May 2020, 44 European Commissioners participated in 19 economic dialogues, followed by 19 visits of the chairs of ECOFIN and just 12 visits of the President of the Eurogroup, while the President of the European Council was completely absent (Hagelstam 2019, 2020). The new Commission committed itself to engaging even more often in »a dialogue with the European Parliament« and to discussing economic governance with MEPs »before each key stage in the European Semester« (European Commission 2019: 15). In addition to the formal obligation to attend (Fromage 2018: 288) and the Commission's willingness to explain its economic policy (Chang/Hodson 2019: 355–356), the ***frequent attendances of Commissioners is underpinned by the general accountability of the Commission to the European Parliament*** (art. 17 (8) TEU). Repasi concludes that the economic dialogue is a sufficient basis for informing the European Parliament, however, it provides no »foundations for accountability« (Repasi 2016: 45). Most notably, ***the informal Eurogroup lacks any accountability to the European Parliament*** (Repasi 2016: 47).

Furthermore, the President of the European Council gives a report to the plenary following each European Council meeting, including the two summits dealing with the European Semester every year (art. 15 (6) d TEU). Art. 12 (5) of the Fiscal Treaty foresees a similar duty of the President of the Euro Summit. While the President complies with his duties for formally held meetings, he does not report on informal ones (Fromage 2018: 283–285). Because his reports are not followed by an opportunity to question him, ***MEPs' ability to scrutinize the European Council's decisions are limited*** (Wessels 2016: 90).

Another instrument for controlling the Commission's and national governments' European economic policy is the annual European Parliamentary Week (Fromage 2018: 288–290), comprising the European Semester Conference and the Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union (art. 13 Fiscal Treaty). In 2020, it was attended by a number of Commissioners, the President of ECOFIN, the President of the Eurogroup, a member of the Executive Board of the European Central Bank and the Vice President of the European Investment Bank (European Parliament 2020a). From the parliamentary side, it convened members of 34 parliamentary chambers from 28 countries, including Norway and two candidate countries (European Parliament 2020b). While most of the EU institutions were present, the absence of MPs from two member states and the participation of MPs from three non-member states shows that the European Parliamentary Week is not the format for parliamentary control of European economic governance. ***It is questionable whether the European Parliamentary Week offers an opportunity for real dialogue with the other EU institutions***, due to the tight schedule (Fromage 2018: 290).

In addition to the lack of effective instruments to control the European Commission, the ECOFIN, the Eurogroup, the European Council, and the Euro Summit, the European Parliament's ability to hold the executives accountable for the outcome of the European Semester is further limited. Responsibility for decisions taken during the procedure is fully blurred between Commission recommendations and supervisions, Council and European Council decisions, and national implementation. This is even more true for the governance of the ESM, which resembles a politically unaccountable authority (Moravcsik 2002;

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2 States that do not meet their budgetary objectives are sanctioned under the Stability and Growth Pact or the Macroeconomic Imbalance Procedure.

Majone 1999) and brings in the ECB and the IMF as additional unaccountable actors. In order to strengthen the democratic legitimacy of European economic governance, it is necessary to establish a system of checks and balances with more effective parliamentary oversight and to separate more clearly EU-level and member state-level responsibilities.

Despite the considerable efforts that were undertaken to make European economic governance transparent and the ongoing review of the European Semester, which aims at further increasing it, a number of deficiencies concerning ***transparency*** exist in European economic governance. On the positive side, the already discussed economic dialogue, European Parliamentary Week, and the reporting duties of the President of the European Council aim at greater transparency. EU primary law foresees an obligation of the Presidents of the European Commission and the rotating Presidency of the Council to report on the coordination of economic policy (art. 121 (5) TFEU) as well as a duty of the Presidency of the Council to report on sanctions under the excessive-deficit procedure (art. 126 (11) TFEU). The chair of the ECON committee and his/her deputies are also verbally informed by the European Commission on the negotiation and monitoring of macroeconomic adjustment programmes (Art. 7(1)5 and 7(4)3 Regulation (EU) No. 472/2013).

On the negative side, ***the European Semester is designed as a technocratic procedure and lacks publicity***, despite some good will to inform the European Parliament. The economic dialogue in the ECON Committee is not sufficient to make the European Semester transparent. Furthermore, ***the Eurogroup convenes as an informal body, making it even less transparent than the Council itself*** (Wiesner 2017: 54) and the Euro Summit is not even an institution of the European Union (art. 12 Fiscal Treaty). Moreover, the ESM Treaty and the Fiscal Treaty are international treaties, primarily outside the EU. ***The new institutions of European economic governance were created as non-majoritarian expert institutions*** (Wiesner 2017: 54), which lack public and parliamentary control.

The criteria of ***inclusiveness and openness*** refer to the access of organised civil society and individual citizens to decision-makers, which is discussed as participative democracy elsewhere (Plottka forthcoming). Although the Commission, which is the prime addressee for organised civil society, is central to European economic governance, ***EU-level participative democracy is mainly restricted to legislative procedures***. The intergovernmental institutions refuse to participate. The only exception is the macroeconomic dialogue, which convenes representatives of EU-level umbrella organisations of the social partners, the chairs of ECOFIN and EPSCO, of the ongoing trio-presidency of the Council, the Commissioners dealing with these topics, as well as the President of the European Central Bank and a representative of the central banks of non-euro states. Organised by the Economic Policy Committee, it discusses the general economic outlook and is dedicated to one specific economic topic per meeting (Koll 2020). While the European Parliament is informed about the proceedings, the macroeconomic dialogue neither includes labour unions and business interests from national level, nor does it reflect the plurality of European civil society. Thus, European economic governance scores even lower on these criteria than on accountability and transparency.

3 REFORM RECOMMENDATIONS TO STRENGTHEN DEMOCRATIC LEGITIMACY

This paper has outlined how reforming European economic governance is necessary in order to reinforce the democratic legitimacy of the EU. The number of deficiencies outlined before can be summarised in three reform approaches that need to be addressed:

- better clarify responsibilities for European economic governance;
- make European economic governance more transparent;
- eliminate overly complex institutional structures.

The best way to achieve these goals is to give the European Parliament and, through European elections, the citizens of the EU more influence on European economic policy. Some of the recommended reform options merely require the willingness of the EU institutions, while a few require either the reform of secondary or primary law. The negotiations on the EU's economic response to the pandemic, Germany's Chancellor Angela Merkel's recent comment on the possibility of treaty reforms as a long-term response to the current crisis (Gutschker 2020) and the Conference on the Future of Europe open a window of opportunity to address these challenges in the coming years. The following reform options should be addressed.

(1) ***Every European Commission should adopt a five-year economic and social strategy (short-term):*** In the past, the European Council adopted the long-term economic strategy of the EU (European Commission 2010), which influences the European Semester even beyond its lifetime (Hacker 2018). This limits the ability of the Commission to set its own priorities. Instead, every incoming Commission should lay out its priorities in an economic and social strategy, in addition to its political guidelines. The strategy should set the tone for the Commission's role within the European Semester, enable the European Parliament to hold the Commission accountable throughout its five-year tenure, and give voters more influence on European economic governance. Combining an economic with a social strategy would also help to rebalance the current bias towards restrictive fiscal policy in the European Semester. As the example of the »Green New Deal« of the current Commission shows, the proposal requires only willingness on the part of the Commission to adopt the strategy and stick to the defined priorities in European economic governance. A separate strategic document adopted by each Commission in addition to the political guidelines would give it more visibility.

(2) ***The European Parliament should debate the separate steps of the European Semester more intensively in the plenary (short-term):*** The debate about the Commission's Annual Growth Survey, the draft euro area recommendations, and the employment guidelines in the plenary were a step forward. The adoption of own-initiative reports gives the debate more visibility and increases the transparency of the European Semester. Therefore, the European Parliament should also debate the draft country-specific recommendations in plenary and adopt another own-initiative report on the European Semester. It would be an instrument to hold the Commission accountable for its economic policy against the backdrop of its social and economic strategy. It would also give an impulse to the debate in the Council, the adoption of the policy orientation by the European Council as well as the adoption of the country-specific recommendations. As the European Parliament has the right to adopt own-initiative reports, the proposal requires only the willingness of the European Parliament.

(3) ***The policy orientation for the European Semester should be adopted by the European Parliament (mid-term):*** Complementing the Council deliberations on the policy orientation for the European Semester with an own-initiative report of the European Parliament increases transparency, but does not clarify accountability. The member state governments would still define the guidelines against which they are judged. In order to separate the supervising body from the supervised, it is necessary to exclude the Council from the European Semester. The non-functioning excessive deficit procedure has made the problem of fusing both roles obvious. Clear separation would ensure that accountability »occur[s] at the level at which the decisions are taken« (van Rompuy 2012: 16). Citizens can hold the European Parliament accountable for EU-level decisions and national governments in national elections for member state-level decisions. As an interim measure, both the Council and the European Parliament could adopt the policy orientation under the ordinary legislative procedure. To implement this recommendation, secondary law needs to be reformed.

(4) ***National parliaments should be implied in the European Semester (short to mid-term):*** The national reform programmes, which outline the objectives, priorities, and concrete plans on how a member state government intends to reach the EU-level policy objectives, should be adopted by national parliaments. The debate on the national reform programmes would increase transparency and give member state citizens the opportunity to hold their governments accountable for proper implementation. This adds another level of critical assessment of the implementation of economic policy. National governments would need to better justify their national reform programmes. In cases where they achieved considerable progress in the previous years, this would also be an opportunity to present themselves as successful. To implement the recommendation, secondary law needs to be reformed.

(5) ***The country-specific recommendations within the European Semester should be adopted by the European Parliament (mid-term):*** In order to further clarify the responsibilities for EU-level policy recommendations and member state-level policy implementation, the Council system should be excluded from supervising national policies, as discussed before. The deficiencies of the excessive deficit procedure prove that self-control by governments in the Council does not work. Therefore, country-specific recommendations within the European Semester should be proposed by the Commission and adopted by the European Parliament. The supranational institutions are politically responsible for the recommendations and can be held accountable for them in European elections. The national governments and parliaments are responsible for implementing recommendations and can be held accountable in national elections. The new procedure improves the critical assessment of national policies and simplifies the procedure considerably. To implement the recommendation, secondary law needs to be reformed.

(6) ***The intergovernmental structures outside the EU primary law and in parallel to EU institutions should be abolished (mid-term):*** As shown above, the responses to the crises in the euro area resulted in intergovernmental structures outside the EU Treaties. The duplication of structures unnecessarily complicates the institutional setup of the EU. To make European economic governance more transparent and less complex, it is necessary to integrate all instruments into the EU Treaties, as foreseen for the Fiscal Treaty in art. 16 and proposed by the »Five Presidents Reports« (Juncker et al. 2015: 18). This recommendation requires treaty change.

(7) ***The Eurogroup and the Euro Summit should be abolished (mid-term):*** Both institutions are unnecessary duplications of EU-level institutions. The Eurogroup is informal and the Euro Summit is even outside the EU Treaties. After Brexit, Denmark is the only member state that is not obliged to introduce the euro as its currency and even Denmark takes part in the European Exchange Rate Mechanism II. Therefore, all member states are potentially affected by future decisions in the euro area and formal decisions are taken in the ECOFIN Council, anyway. Therefore, integrating the Eurogroup and the Euro Summit into the Council and the European Council would simplify the institutional structure of the EMU considerably and increase transparency. This recommendation requires a reform of the European Treaties and the Fiscal Treaty.

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MAKE EU ECONOMIC POLICY ACCOUNTABLE

How to Reinforce the Democratic Legitimacy of European Economic Governance

To generate sufficient output and input legitimacy, European economic policy requires more competences, which allow for achieving concrete results to the benefit of citizens. As long as a treaty reform is considered impossible by decisive actors in national governments, reforms to increase democratic legitimacy of European economic policy have to mainly address throughput legitimacy.

Decisions taken within the European economic policy's overly complex structure need to be more accountable, transparent, inclusive and open. Therefore, it is necessary to better clarify responsibilities for European economic governance between EU-level and national-level actors, to give citizens more insight into decision-making procedures by involving parliaments, and to simplify the institutional structures inside and outside the EU.

To give citizens more influence on EU economic policy, every incoming Commission should adopt an economic strategy for its term. Based on this strategy, the European Parliament should adopt the policy orientation for the European Semester every year. To make the European Semester more transparent, national parliaments should adopt the national reform programmes, while the European Parliament should adopt the country-specific recommendations. To further increase transparency, all intergovernmental structures outside the EU framework should be integrated into the EU Treaties. Consequently, the Eurogroup and the Euro Summit should be reintegrated into ECOFIN and the European Council.

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