HOW TO DEMOCRATIZE EUROPE

Stéphanie Hennette
Thomas Piketty
Guillaume Sacriste
Antoine Vauche

TRANSLATED BY
[to come]

Harvard University Press
Cambridge, Massachusetts
London, England
2019
## Contents

*Preface to the English Edition*  ix  
*Abbreviations*  xiii  

Introduction  1  

### Part One. Another Europe Is Possible

1. The Euro-ization of Europe: The Extramural Rise of the Government of the Euro  9  
   Guillaume Sacriste and Antoine Vauhez  

2. On the Legal Feasibility of a Treaty to Democratize the Governance of the Euro Area  46  

3. What Would the Parliamentary Assembly of the Euro Area Look Like?  53  

4. What to Do if Some Member States Reject the Proposed Treaty?  58  

### Part Two. Draft Treaty on the Democratization of the Governance of the Euro Area (T-Dem)

5. Explanatory Statement  63  


---
  1  
  0  
  41
Part Three. Debate Now!

7. Europe's Constituent Moment
   Jeremy Adelman and Anne-Laure Delatte

8. Ten Thoughts on the Treaty Democratizing the Euro Area
   (T-Dem)
   Paul Magnette

9. For a Democratization of Eurozone Governance
   Kalypso Nicolaidis

10. The European Parliament Is the Parliament of the Euro Area
    Pierre Moscovici

11. A Eurozone Congress
    Luuk van Middelaar and Vestert Borger

12. The Economy Is a Polity: Implications for the New Modes
    of Economic Governance in the EU
    Christian Jorgers

13. In Search of Lost Sovereignty
    Iphigénie Kamsidou

14. Reconciling Democratic Sovereignty with Economic and
    Monetary Integration: T-Dem in Dialogue with the
    German Constitutional Court
    Ulrike Liebert

15. Citizen-Based Paths of Democratization for the EU without
    New Treaty Making
    Rui Tavares

Part Four. Rejoinders


17. European Parliamentary Sovereignty on the Shoulders of
    National Parliamentary Sovereignties

18. Europeanizing Politics, Politicizing Europe
19. Manifesto for the Democratization of Europe 185
Manon Bouju, Lucas Chancel, Anne-Laure Delatte, Stéphanie Henette,
Thomas Piketty, Guillaume Sacriste, Antoine Vauchez

Glossary 191
Contributors 197
Index 000
The Euro-ization of Europe

The Extra-mural Rise of a Government of the Euro and the Redefinition of the European Project

GUILLAUME SACRISTE AND ANTOINE VAUCHEZ

As the economic and financial crisis has amply demonstrated, the euro now used by more than 350 million Europeans is much more than a single currency. For those who hope to defend it and ensure its stability, it has become the focal point for a widening range of government measures over the last two decades. The general view is that twenty-five years of economic and monetary unification under the aegis of the euro have made Europe unrecognizable in a number of respects. The Europe of the Single Market, centered on freedom of movement, has now been overshadowed by the powerful system of monitoring and disciplining of member-state economic policies “in the name of the euro,” and the effects of this are now being felt at the heart of national social pacts. And the passionate debates of the early 2000s on the European political Constitution have given way to rather technical discussions about the “sub-optimality” of the euro and reform of how it is managed.

Although Europe has been changing significantly, the direction of the changes is not immediately visible to the naked eye. Lacking the clarity of classical constitutional architectures, the governance of the euro forces anyone really interested in it to try to fit together what first
appear in scattered form like pieces of a jigsaw puzzle. Yet the investigation does reveal a long-term, though still incomplete and contested, process of the euro-ization of Europe. Three dimensions, in many respects inseparable from one another, define the terms of this process: (1) the emergence at the heart of the European Union of a powerful financial pole comprising treasury departments and central banks; (2) the consolidation of a European system of monitoring and control over the policies of member states, designed to ensure the medium- to long-term stability of the euro; and (3) the gradual construction of a new hierarchy in the European project, around the issues of financial stability, budgetary equilibrium, and structural reforms, which in the process marginalizes or subordinates the other poles of European policy (social Europe, basic rights, the environment).

In fact, the euro-ization of Europe is first and foremost a history of the rising power of a financial pole at the heart of the European project. This pole does not impose itself “from above” through a “Brussels dictate,” nor “from outside”—which is not to say that it does not constitute a “supranational” elite. More precisely, it is an increasingly dense transnational network of financial bureaucracies and French, German, Italian, and other “treasury people,” but also senior officials of the European Commission’s DG ECFIN (Directorate-General for Economic and Financial Affairs) and national and European central bankers—a network that has taken shape with the adoption of the euro as the single currency. Trapped within the ever tighter social circle of EU preparatory committees and negotiations, these financial players have gradually mapped out a common agenda under the banner of budgetary consolidation and structural reforms. In establishing themselves over time as key to the credibility of member-states and of the euro vis-à-vis market players, they have acquired an ever stronger political capacity at the heart of the European project.

The phenomenon has found institutional expression in a new “extra-mural” European governance: that is, the governance of the euro, which for many lies outside the institutional framework of the European Union. The clearest token of this externality is the Eurogroup, the central nucleus of the system, which is renowned for its pivotal role in the crisis and has developed at a considerable distance from the democratic political control of national and European parliaments. Today, a whole multilateral system of monitoring (and disciplining) hems in governments in
their definition of economic, budgetary, fiscal, and social policies. This system—which combines incentives and penalties, “soft law” and “hard law,” recommendations with no effect, and memorandums listing in absurd detail the measures that member states should take forthwith to comply with financial assistance programs—has progressively sunk deeper roots into national policy-making.

It would be wrong to see this governance of the euro as just one more European public policy. By virtue of its growing importance, as well as the imbalances revealed by the crisis, it tends to become the basic framework for all other public policies, setting their preconditions or converting them into an “overriding obligation” of financial stability and budgetary balance. In this sense, euro-ization also designates the production of a new hierarchy within the European project, which operates in tandem with the oversight acquired by the technocratic financial pole. It is then easy to understand who are the real losers from this process today. Not so much member states per se, as is too often purported, but instead specific segments with them: the “welfare elites” in Berlin, Brussels, Paris, or Rome who champion the (relative) autonomy of policies bound up with the social state, and the players in the arena of representative politics (parties, national and European parliaments, or even ministers, who are often overshadowed by the autonomy progressively acquired by this transnational network of “financiers”), whose legitimacy to impel, coordinate, or steer the European project is considerably weakened.

The history in question here is therefore less the (economic) history of the eurozone than the history of its governance: that is to say, of the elites who sustain it, the policies that are formed by it, and the constraining effects that it produces. In this regard, the economic and financial crisis that broke out in 2008 is certainly a critical moment, but it features less as a point of departure or an original reason than as an accelerator or a coalescing factor for sets of solutions or measures defined since the late 1980s.

I. From the Delors Committee to the Eurogroup: A Demand for Independence

The re-tabsling of the monetary union project on the EU agenda in the mid-1980s was the occasion for the emergence of a new group of players...
at the front of the European stage. This group, previously confined to secondary roles in the integration process, consisted of financial bureaucracies and central banks in the various member states but also at the EU level; it would play a key role in defining the institutions and policies of the governance of the euro. Coming as they did from “rival” institutions, these “financiers” caught up in the monetarist turn of the 1980s also found themselves “roped in” when it came to convincing their governments to construct the Economic and Monetary Union (EMU) safely away from the usual political and diplomatic arenas, under the control of an ad hoc structure of governance where the national and EU financial bureaucracies would run the show.

1. The Europe of Treasuries and Central Banks

At the beginning, the Monetary Committee—from which the powerful Eurogroup Working Group (EWG) directly descends—served as the preparatory committee for the Eurogroup. Created in 1957 under the Treaty of Rome, this first European monetary cadre was only supposed to promote the coordination of member states in monetary matters, to the extent that this was necessary for the functioning of the Common Market. The member states nominated two members each, “known for their competence in the monetary domain,” one from the finance ministry (generally, the head of the Treasury) and the other from the central bank (generally, its deputy governor). The European Commission, which provided the secretariat of the Committee, was also represented on it by the director-general of the DG ECFIN and the director of monetary affairs. When it became clear in 1964 that central bank governors needed to be more closely associated in order to coordinate these European monetary policies, a second committee, the Committee of Governors of the Central Banks, was constituted. The two committees, endowed with exclusive competence in monetary matters, were mainly occupied in managing the “European currency snake,” a mechanism established in 1972 that was supposed to make it possible to limit exchange-rate fluctuations among countries belonging to the European Communities.

Early “club effects” began to develop inside them, however; the secretary of the Monetary Committee, in his report on its workings, did not hesitate to describe it as a “fraternity.” Without even speaking of the often similar backgrounds and concerns of members of this Committee,
it should be said that its statutes had been conceived in such a way as to encourage the development of horizontal links over and above national affiliations. They stipulated, for example, that its members were appointed on a personal basis and exercised their functions in complete independence, in the general interests of the Community. Committee meetings were also marked by confidentiality, so that its members should feel free to divulge certain information or to reveal any reservations they might have. Initially it published brief annual reports on its activities, but these were stopped in 1988 by tacit and mutual consent, turning the Committee into one of the rare European institutions whose functioning became less and less transparent as it gained in power.\footnote{1}

Shortly after his arrival in Brussels, in January 1985, the new president of the Commission, Jacques Delors, experienced the strength of this first group of European monetary leaders. He tried to enlarge the competence of the Commission on monetary issues within the framework of negotiations for the Single European Act—the new European treaty eventually signed in 1986 that was supposed to relaunch the European integration agenda by establishing a "single market"—with an appeal to the highest political authorities, F. Mitterrand and H. Kohl. However, the group of representatives of financial bureaucracies, with the Bundesbank president at its head, imposed its own preserve: monetary questions, it insisted, could not become a European Community's competence, placed, like everything touching on the construction of the Single Market, under the control of the Commission. Because it affected the sovereignty of member states (and the reserved domain of treasury departments and central banks), the Monetary Committee also claimed a central role in the event of further developments toward Monetary Union, as the text of the Single Act ultimately envisaged.

This initial setback led Delors to think that, if it was to get its way within this group of financial bureaucrats, the Commission—without a currency or a sovereign state to defend—should blend in with the group! So, in contrast to his predecessors, Delors made a point, early in his mandate, of participating in the monthly meetings of the Committee of Governors of the Central Banks at the headquarters of the Bank of International Settlements in Basel—even if it meant suffering the humiliation of not being invited to all the official dinners organized by the governors at the prestigious hotels in the city! He gathered around him a team of monetary specialists who in their profile, and their
pan-European proclivities, strongly resembled the members of the two committees in charge of European monetary affairs. Thus, Jean-Paul Mingasson, a senior French official from the Treasury, headed the monetary leadership of the Commission’s DG ECFIN (a body directly attached to the presidency), while Tommaso Padoa-Schioppa, one of the directors of the Banca d’Italia who had himself been director of the DG ECFIN, served as special adviser to President Delors on monetary matters. Also, the group of economists who worked with Padoa-Schioppa in 1986 to define the Commission’s new monetary doctrine (report: “Efficiency, Stability and Equity”) included the future governor of the Bank of Greece and future vice president of the ECB, Lucas Papademos; the future governor of the Bank of England, Mervyn King; and the director of forecasting in the French finance ministry, Jean-Claude Milleron.

This “entrist” strategy of the Commission in relation to the circles in which European monetary policy was debated came to a head at the Hannover Summit in 1988 with the constitution of the famous “Delors Committee,” a think tank that has gone down in history as having laid the theoretical and institutional groundwork for the Economic and Monetary Union (EMU). Although, at Delors’s own request, central bankers were prominent in the Committee, this time he chaired the committee and chose its key members (notably including one of its rapporteurs, the inevitable Tommaso Padoa-Schioppa). So it was that Delors managed to establish legitimacy within the group of financiers and central bankers who “managed” the deepening of the Economic and Monetary Union.

Although heterogeneous in terms of the institutional interests it defended (national treasuries, central banks, the European Commission), the network that developed in this way was very coherent at a theoretical level. It should be said that since the 1980s, under the influence of monetarist theory and the challenge to Keynesian schemas, a set of pivotal arenas straddling the world of monetary policy and the world of academia had prepared the ground by sketching the principles of a new monetary policy. In the early 1980s, for example, at a series of seminars organized by the economist Robert Triffin, a part of the community of central bankers, together with senior officials in the European Commission and a number of academics, had put forward a common basis for the relaunch of European monetary union. One of the most important ideas to emerge from these discussions was a consensus that, in a
context of complete liberalization of capital, the main objective of any reform of European monetary policy had to be the struggle against inflation. This emphasis on price stability was itself the result of a sea change in economic theory at the time, beginning with a reinterpretation of the famous Philips curve to the effect that the rate of inflation cannot be manipulated (at least in the long term) in order to boost job creation: such an objective could be achieved only through the establishment of an independent central bank, which alone could guarantee the “credibility” of a common monetary policy. According to the formula advanced by the economists Francesco Giavazzi and Marco Pagano in 1988, “the advantage of tying one’s hands” by handing over monetary policy to an independent institution lay in the greater monetary “credibility” it afforded.

2. Institutional Separatism

In short, the single currency presupposed a set of specific institutions, alone capable of creating the zone of economic and financial stability necessary for it to function well. An independent central bank was, to be sure, the foundation for the whole EMU. But more broadly this also required centers of consultation and decision, such as the Eurogroup, that would be sheltered from the political arbitration of diplomats in the Committee of Permanent Representatives (COREPER, the key structure coordinating member-state administrations since the birth of the European Communities) and kept at a safe distance from national or European parliamentary controls. This type of mantra would inspire the emergent group of European “financiers,” headed by the Monetary Committee, when the time came to define the institutions in charge of the euro. By creating a special autonomous stage for economic and monetary affairs, with specialist players from the financial bureaucracies and central banks, the way was opening to an “extramural” government of the euro.

The opening act of this institutional separatism was undoubtedly the duplication of negotiating arenas in the run-up to the Maastricht Treaty, involving two distinct intergovernmental conferences (IGCs), so that the players and issues of the “Political Union” IGC were split off from those of the “Economic and Monetary Union” IGC. The secretary of state in the German finance ministry, Horst Köhler, a member of the Monetary
Committee from 1990 to 1993 and the future president of the Federal Republic, played a decisive role in this decision. In his view, as well as that of the minister under whom he served, Theo Waigel, the purpose of the duplication was to free economic and monetary issues from political interference. In fact, the EMU IGC negotiators initially came from the "fraternity" of members of the Monetary Committee: Horst Köhler for the Germans, Jean-Claude Trichet for the French, Nigel Wicks for the British, Cees Maas for the Dutch, Mario Sarcinelli and then Mario Draghi for the Italians, Yves Mersch for Luxembourg, and so on. All were former—and future—core players of the emerging transnational pole of "financiers."

The policy of institutional duplication did not end there; its main crystallization point came in 1997 with the creation of the Eurogroup, an unofficial structure that periodically brings together euro-area finance ministers, the European Commissioner for Economic and Financial Affairs, and a member of the ECB directorate (which was set up soon after the creation of the Eurogroup). The creation of this "economic government" of the euro, supported by Lionel Jospin's Socialist government in France, initially encountered widespread opposition: Tony Blair fiercely rejected any such autonomous institutional pole outside of EU institutions; the Germans feared a return to French-style dirigisme; and the young ECB was mainly concerned to assert its own independence and external position in relation to European policy. Thus, the body (called first Euro X, then Eurogroup) that had been created "to discuss questions linked to the special responsibilities they share vis-à-vis the single currency" was actually such a body only on condition that it met informally, exchanged views in confidence, and remained completely outside the institutional framework of the European Community. These were all reasons that made it successful as the main locus for political-administrative coordination of the eurozone. Beyond having a role in the exchange of information and assessments concerning the economic situation—which is proving very useful for the smallest countries in the eurozone, which lack the means to develop their own economic expertise—the Eurogroup structures have become the main site where interpretive frameworks and practical conditions are established for implementation of the many coordinating instruments and objectives that the government of the euro has adopted over time, beginning with the Stability and Growth Pact (1997) and the European Semester (2010).
Usually meeting on the eve of official sessions of the Economic and Financial Affairs Council (ECOFIN), the Eurogroup has preempted ECOFIN’s decisions, as the euro-area issues were progressively taking up most of Europe’s economic agenda. One example is the nomination of members of the ECB directorate, where the Eurogroup has behaved as a powerful caucus and ECOFIN has been content to ratify decisions made and discussed elsewhere. The Growth and Stability Pact of 2005 was also amended within the Eurogroup before the decision was ratified by ECOFIN. And it was in the Eurogroup that opposition was mounted to Sarkozy’s proposed unilateral suspension of VAT on oil products in response to soaring prices, and so on. As one of the most knowledgeable analysts in this sphere, Jean Pisani-Ferry, pointed out as early as 2006, the Eurogroup has gradually changed “from a mere talking shop into what increasingly looks like a policy-making institution.” Indeed, a new institutional duplication soon appeared to be necessary—hence the creation in 2004 of a specific preparatory committee for the Eurogroup, the Eurogroup Working Group (EWG), in parallel to the Economic and Financial Committee (EFC) in charge of preparing ECOFIN, a structure that quickly imposed itself as the mainspring of this new governmental structure. With a touch of irony, the Lisbon Treaty of 2007 assisted in the consolidation of this “extramural” government by formally recognizing the “informal” character of Eurogroup meetings and by acknowledging the “specific responsibilities” that the member states shared by virtue of the single currency.

3. An “Extramural” Government

In response to the sovereign debt crisis that broke out in April 2010, with the announcement of the risk of a Greek default, the parallel Eurogroup structure quickly asserted itself as the main arena for management of the crisis. The clearest evidence for this is the unprecedented duplication of meetings at every level of this structure for governance of the euro. With no fewer than 206 meetings between 2010 and 2017 (an average of one every two weeks), the Eurogroup of finance ministers constituted the main political organism where responses to the crisis were thrashed out—assisted at the gravest moments by a new governing stratum created in 2008, the Euro Summits, consisting of heads of state and government together with the presidents of the Commission and
the ECB. But it was the EWG—consisting of top officials from finance ministries, the ECB, and the Commission—that operated as the main hub of this new European directorate. It met 264 times during the same eight-year period (2010–2017)—that is, no fewer than 33 times a year.

Along the way, the transnational network of “financiers” consolidated. The reservations that the first ECB president, Wim Duisenberg, had initially expressed to the Eurogroup in 2001 concerning that network’s participation (“The euro-area monetary and fiscal authorities cannot and will not coordinate our respective policy areas ex ante”)6 rapidly faded away. Now the ECB was participating in Eurogroup meetings at every political and administrative level, directly associated with the definition of memorandums of understanding (MoUs) but also with their implementation through its involvement in the Troika (IMF, European Commission, ECB). Raised to the role of chief regulator of the European banking sector with the creation of the Single Supervi-
sory Mechanism of European banks, the ECB would be directly involved in political reflection about the future of the eurozone within the framework of the Group of Four Presidents (the presidents of the ECB, Commission, Eurogroup, European Council—a circle from which the president of the European Parliament would initially be excluded). All these stages indicate an ever closer union of the national and European financial bureaucracies.

Thus, situated at the geometrical point where all the players in the government of the euro intersect, the Eurogroup has considerably expanded its sphere of influence in the framework of the crisis, adding to the decisions it takes affecting the core economic, fiscal, and social policies of member states. One thinks, for instance, of the decision taken in the middle of the night, March 15–16, 2013, to levy a tax of 6.75% on all Cypriot bank accounts below 100,000 euros—a compromise that none of the participants would take responsibility for the next morning! But above all one thinks of the marathon negotiations over the memorandums of understanding and the lists of economic, fiscal, budgetary, and social reforms tied to the granting of financial assistance to Greece—in response to which Pierre Moscovici (a man who knows the Eurogroup inside out, having regularly attended its meetings as French finance minister in 2012–2014 and as Commissioner for Economic and Financial Affairs ever since) remarked: “We are deciding behind closed doors the fate of 11 million people.” In the context of the crisis, the Eurogroup imposed itself as the chief political and administrative supervisor of states placed “under program” (Cyprus, Greece, Ireland, Portugal, Spain), ensuring strict observance of the budget shock and fiscal strategy administered in the framework of the memorandum in question, but also of the “post-program” procedure that maintains a tight control over national policy choices in these member states. However, the expanded governmental role of the Eurogroup can also be seen in the “structural reforms” agenda that developed in the mid-2010s. Basing itself on the DG ECFIN’s “Analytical Notes,” the Eurogroup has now taken up the responsibility to review a wide range of fiscal, social, and educational matters—labor tax law, investment, pension stability, insolvency framework, spending reviews, human capital (education policy), and so on—from its particular angle of financial stability and budgetary consolidation. These are all issues about which the European financial bureaucracies now agree on a common viewpoint (“best practices,”

---

---0

---+1
“benchmarks,” “recommendations”), which they undertake to defend upon their return to their respective capitals.

This institution sui generis, born on the fringe of the treaties, has become pivotal to the governance of the euro yet continues to elude the common rules of transparency and responsibility associated with political institutions. Probably it was the appointment of the media-savvy Yanis Varoufakis as Greek finance minister, at the very height of the crisis, that really brought into the open its habits of confidentiality and secrecy. As Jan-Werner Müller indicates, certain “veterans of European integration like the German finance minister Wolfgang Schäuble saw him as a vandal in the engine-room of the EU, where the expectation is that dirty deals can be made comfortably and in secret.” Rather late in the day, the EU ombudsman expressed alarm at this complete opacity, pointing to the “economic, financial and societal impact of the decisions taken by [the Eurogroup].” Even though the Eurogroup president consented to publish draft agendas of the Eurogroup and very general summaries of the discussions (rather than the actual proceedings or detailed minutes of the various positions), he did not agree to touch the core issue, the “range of bodies and services [that] prepare Eurogroup meetings” and form the quasi-permanent structure of euro-area government.

In short, the crisis will have further entrenched the institutional separatism of the government of the euro. The adoption of two ad hoc international treaties—treaties that are external to the European Union, and therefore to mechanisms of political control inherent in the single institutional framework of the EU—will complete the edifice. One of these, the Treaty on Stability, Coordination and Governance (otherwise known as the Fiscal Compact), signed in March 2012, completed the external institutionalization of the government of the euro, by enshrining a political level with the Euro Summits of nineteen heads of state and government and (quite secondary) the ad hoc interparliamentary committee confined to a purely consultative role. The other treaty, establishing the European Stability Mechanism (ESM), in 2012 replaced a European stabilization fund created as a matter of urgency by the member states. Based on treaty-defined pro rata contributions and voting rights of member states, the ESM constitutes a financial lever capable of mobilizing up to 700 billion euros to provide assistance with conditions to member states in difficulty. With a composition identical to that of the Eurogroup, it is placed under the tutelage of the Eurogroup president,
who decides on the granting of financial assistance, the payment of various tranches, and the follow-on "policy of conditionality" imposed on the state that is "under program."

Thus, from the ECB to the Eurogroup, from the EWG to the Euro Summits, also taking in the Troika and the European Stability Mechanism, a whole "extramural" political-administrative space has been consolidated for the governance of the euro. In this half-intergovernmental, half-supranational hybrid framework, constructed at a good distance from political and parliamentary controls, a powerful system has been able to develop for the surveillance of member-state policies under the threefold sign of financial stability, budgetary consolidation, and structural reforms.

II. Putting National Economic Policies under Surveillance

In short, the euro was supposed to be "governed" (in the French version) or at least "framed" (in the German version). But few players in the financial pole believed so fervently in the virtues of the market as to think it capable, through its own powers of coordination alone, of ensuring the convergence of economic and budgetary performance among eurozone countries. From the first negotiations on the euro, the "financiers" (headed by the Monetary Committee) defined the framework: that is, the creation of the economic and financial zone of stability necessary for the medium- to long-term viability of the single currency presupposed a system of multilateral surveillance, with a subtle mix of constraints and incentives that would both bind and orient national economic policies. In practice, the aim was to place the policies and performance of member states under the surveillance of ECOFIN, the European Commission, and other member states' treasuries.

In terms of policy orientation, this new economic convergence machinery marked a clear break with the early European texts on economic policy convergence going back to 1974, which had been based on Keynesian considerations in their quest for "stability, growth and full employment." From the first text adopted in 1990, multilateral surveillance was firmly geared to supply-side policies, the main economic policy of member states no longer being full employment but "sustained non-inflationary growth" centered on price stability, "sound" public
finances, "healthy" monetary conditions, and an "open competitive market."

1. Disciplining National Economic Policies

This basic framework for multilateral surveillance, and its grip on the economic and budgetary policies of eurozone countries, would constantly tighten. In the course of reforms, the areas covered by multilateral surveillance grew in number; the information that member states were asked to supply in "response" to ECOFIN’s "recommendations" and "formal notices" became more and more precise and comprehensive; timetables became tighter and forced member states into hasty responses; and the penalty procedures against backsliding states were strengthened and streamlined.

It is also necessary to differentiate between the two pillars on which this multilateral machinery of surveillance was constructed: one relating to the control of national budgetary policies, the other to the co-ordination of their economic policies. Right from the start, budgetary policy was thought of as clearly distinct from other economic policies, and as justifying much more binding injunctions. In this domain, the Maastricht Treaty had envisaged numerically quantified targets (the famous "Maastricht convergence criteria," which designated upper thresholds of 3% of GDP for the government deficit and 60% for the national debt) and allowed for clearly defined pecuniary penalties. An "Excessive Deficit Procedure" (EDP) was established, with the aim of compelling governments to respect these reference values. In 1997—in the highly sensitive period of transition to the euro, when the German political and financial elites were worried about the risks that EMU entailed for the German "culture of stability"—the Excessive Deficit Procedure acquired a more direct mandatory character. The adoption of a "Stability Pact" fixed a timetable that bound governments to give a continuous account of their budgetary efforts and to correct any deviations from the budgetary norm, on pain of a fine consisting of a fixed component equal to 0.2% of the previous year's GDP and a variable component of up to 0.5% of the country's GDP.

The second pillar—coordination of economic policies—was conceived in a different way, as incentivizing and nonbinding. Because it had implications for key areas of national social pacts (economic poli-
cies, welfare state, labor market, and so on), this pillar at first involved mechanisms of incentivization and cooperation consisting of recommendations, peer reviews, benchmarking, and, if necessary, blaming. ECOFIN’s definition of Broad Economic Policy Guidelines (BEPPs), relating to economic and budgetary policies, structural reforms, wage bargaining, and such, was supposed to permit the insertion of governments into a process of convergence. In this, the Commission had the role of prosecutor—monitoring, and informing ECOFIN about, an ever larger battery of indicators; individual governments had the role of defense counsel, responding to recommendations and backing this up with corrective programs; and ECOFIN had the role of judge, stepping in and deciding in the last instance with regard to recommendations and penalties. A government that did not comply with these broad guidelines might, if the Commission proposed it, be issued with public recommendations by ECOFIN, whose public character was considered sufficient to trigger the verdict of the financial markets and rating agencies. Over time, just like for the Excessive Deficit Procedure, the BEPPs would become increasingly intrusive: at first, they gave only an extremely vague and general set of indications that mainly reiterated the objectives of the Maastricht Treaty (price stability, sound public finances, job creation, reduction of indirect labor costs, and so on), but they gradually expanded to all areas of economic and social policy, becoming more and more precise along the way. In December 1993, three guidelines had been developed over four pages without any specific recommendations to member states; ten years later, 23 guidelines and 94 country-specific recommendations were issued for the 2003–2005 period alone.11

The sovereign debt crisis, understood as the result of the weakness of this system of multilateral surveillance, was an opportunity to toughen the control machinery—by strengthening the role of the prosecutor—the European Commission and the system’s coercive bite over member states. In December 2011, a deep reform was introduced through a package of directives, the so-called Six-Pack and Two-Pack, which considerably reinforced the pillars of surveillance and placed them under the single umbrella of the so-called European Semester, an integrative framework bringing together both economic and budgetary instruments of policy coordination and surveillance. This reinforced the surveillance of economic policies, extending it to fiscal and social policies, and hardened it through the creation of a Macroeconomic Imbalance Procedure

---

1
0
+1
(MIP) modeled on the Excessive Deficit Procedure. Emblematically, the
ten economic, financial, and structural indicators of its “scoreboard”—
from the “current account balance” to the “nominal unit labor cost,”
taking in the “general government sector debt,” the “evolution of prop-
erty prices,” and so forth—were supposed to allow the early detection
of “macroeconomic imbalances.” The budgetary pillar, the Excessive
Deficit Procedure, was also reinforced, because the recommendations
of the Commission in terms of penalties (for a country under the Exces-
sive Deficit Procedure that did not comply with formal notices) were now
considered to have been adopted “unless a qualified majority of states
opposed them” within ECOFIN (a “reverse majority vote” that would be
much more difficult for the defiant state to achieve).

Another novelty of the “European Semester” (see Table 1) was that
it integrated and synchronized the two pillars in the same timing, which
now followed the budgetary timetable of member states in such a way as
to maximize impact on the choice of economic and social orientations.
The European Semester, centered on evaluating the performance of the
economic and budgetary policies of the member states, is now supposed
to precede the “national” Semester during the last six months of the year,
which corresponds to the time given to member states to implement the
guidelines or recommendations so defined.

2. The Co-Government of Countries “under Memorandum”

European surveillance in general has become much stricter, but it has
developed an altogether more heavy-handed quality in the case of
member states that are receiving European financial assistance (Cyprus,
Greece, Ireland, Portugal, Spain). When on April 23, 2010, a few months
after revealing that its national debt had been grossly underestimated,
the Greek government issued an appeal for European financial aid, the
EU established a special contingency fund. A first sum of 80 billion euros
was already released on May 2, 2010. Based on inspiration directly from
the IMF, however, the aid was granted only in exchange for strict and
highly demanding commitments by the state “under program.” Two
new funding plans were signed in March 2012 and July 2013, each ac-
companied with an “Economic Adjustment Program.” The memoran-
dums of understanding included drastic austerity measures (government
budget cuts, increased flexibility of the labor market, massive privatiza-


table 1 the “European Semester”

October 2011  Member states in the eurozone submit their draft budgets; the Commission assesses them in terms of the obligations of the Stability Pact. It issues notices in relation to countries covered by an Excessive Deficit Procedure.

November 2011  The European Commission presents the Annual Growth Survey (AGS), which sets the EU’s economic, social, and fiscal priorities for the coming year, and an Alert Mechanism Report (AMR) identifying member states that, in respect of a “scoreboard” of socioeconomic indicators defined under the Macroeconomic Imbalance Procedure, are susceptible to further assessment in an In-Depth Review (IDR).

March 2012  On this basis, the Commission produces Country-Specific Reports (CSRs) on macroeconomic imbalances in member states, which it may accompany with recommendations.

April 2012  Taking the CSRs into account, member states present their National Reform Programs listing the “structural reforms” they have in view. They also present their Stability Program, which should set out medium-term budgetary objectives within the framework of the Stability and Growth Pact.

May 2012  Once it has examined the Action Programs of the member states, the Commission produces Country-Specific Recommendations (CSRs), particularly for the opening (or closing) of an Excessive Deficit Procedure, which are then examined and adopted by ECOPIN and the European Council.


tion, deep reforms of the social protection, pensions, and health systems and of education and public administration). Because these do not include inscribed guarantees of minimum protection in terms of social and economic rights, they will directly affect the social balance of member states. Their recessionary consequences and serious social impact have been widely highlighted by a number of NGOs and by various international bodies (such as the International Labor Organization, and the European Committee of Social Rights—Council of Europe). During the crisis years, the Eurogroup decided on and operated similar (though less massive) programs in Ireland (December 2010), Portugal (June 2011),

—1

—0

+1

Extract from the Third Memorandum of Understanding between the European Commission acting on behalf of the European Stability Mechanism and the Hellenic Republic and the Bank of Greece, August 19, 2015

- "Restoring fiscal sustainability: Greece will target a medium-term primary surplus of 3.5% of GDP to be achieved through a combination of upfront parametric fiscal reforms, including to its VAT and pension system, supported by an ambitious programme to strengthen tax compliance and public financial management, and fight tax evasion, while ensuring adequate protection of vulnerable groups.

- Safeguarding financial stability: Greece will immediately take steps to tackle Non-Performing Loans (NPLs). A recapitalization process of banks should be completed before the end of 2015, which will be accompanied by concomitant measures to strengthen the governance of the Hellenic Financial Stability Fund (HFSF) end of banks.

- Growth, competitiveness and investment: Greece will design and implement a wide range of reforms in labour markets and product markets (including energy) that not only ensure full compliance with EU requirements, but which also aim at achieving European best practices. There will be an ambitious privatization programme, and policies which support investment.

- A modern State and public administration shall be a key priority of the programme. Particular attention will be paid to increasing the efficiency of the public sector in the delivery of essential public goods and services. Measures will be taken to enhance the efficiency of the judicial system and to upgrade the fight against corruption. Reforms will strengthen the institutional and operational independence of key institutions such as revenue administration and the statistics institute (ELSTAT)."

Spain (July 2012), and Cyprus (March 2013). Although these countries have since exited from the Economic Adjustment Programs, they remain under Eurogroup surveillance in the framework of "post-program monitoring," which involves biannual inspections followed by reports and the possibility of new corrective measures.
III. The European Project under Tutelage

Assessing the binding and coercive power of this emerging eurozone government is not an easy task. Except for countries “under memorandum,” where it is implacable, it does not primarily lie where it is customarily found—namely, in the power to impose penalties. To take only the example of the Excessive Deficit Procedure, none of the forty “procedures” initiated by the Commission over the years has yet resulted in a duly formalized penalty. In reality, the penalties do not have the automatic character sometimes attributed to them, both because the procedure involves many veto-players capable of blocking or slowing down the penalization, and because context-specific and country-specific considerations come into play at each stage of this complex process. The Commission itself has been keen to show that the European Semester is “based on guidance, not on corrections,” pointing at the room available for political margins of maneuvering. This is most clearly seen in the Commission’s decision to take (or not to take) action after a country has passed one of the “alert thresholds” built into the “scoreboard”; or in the way in which the Commission takes account of a member state’s political and economic context in drafting its recommendations; or in its decision to follow through (or not) on the penalty procedure for excessive deficits, as in July 2016 when Portugal escaped in extremis the penalties for which it seemed to have been marked down.

Besides, it is often very difficult to identify a “decision-maker” in this multiheaded game. The procedures of the “European Semester” consist of a series of microdecisions involving multiple committees and institutions, so that the policy outcome gradually solidifies through successive sedimentations and consensuses. It is therefore necessary to give up trying to identify one person or institution responsible for a decision, or one level that wins out over the others. It is not “Europe,” or even “the Commission,” that imposes itself “from outside” on national governments, any more than it is one country (even Germany) that alone imposes its choices in the complex procedural framework of the “European Semester.” The binding power in the government of the euro is more complex: it derives from a more diffuse, though no less powerful, process involving the development of a new hierarchy in the European project, which has gradually positioned the group of “financiers” (and
the issues they prioritize) as the primary definers of European public policies (and of the conditions of their legitimacy).

The main point here is that the network of European financial bureaucracies has all the time been growing in consistency. Of course, many things separate these senior treasury and central bank officials from one another: the state or institution they represent, their belonging to the group of “creditor” or “debtor” countries, and so on. But they are now caught up in a powerful dynamic of integration. The intense sociability of the crisis years, which dogged up the diaries of senior officials in the financial pole, is undoubtedly one factor, as is the (relative) closeness of the places where they trained and of their theoretical positions. Also important is the length of time they have spent in the network: whether they have remained in certain key positions without a break, as in the case of Marco Buti (who has been director-general of the DG ECFIN since 2008, after two further years as deputy director-general), or whether they have circulated between the different (national and European) poles of this governance of the euro, like the current president of the EWG (since 2017), Hans Vijbrie, who from 2012 to 2017 was treasury director in the Netherlands, accompanying his minister (for a time, Jeroen Dijsselbloem) to every meeting of the Eurogroup, but was also chairman of the board of directors of the European Financial Stability Facility, the ancestor of today’s ESM. The coming together of this transnational network of “financiers” is all the stronger because meetings of senior Eurogroup or ESM officials have never been seen as political and diplomatic arenas, but rather as technical forums subject to the constraints of “problem-solving” and efficiency.\footnote{Everything—from the confidentiality of discussions, which the Eurogroup president defends tooth and nail, to the choice of decision making by consensus over voting (thereby weakening the capacity to express dissenting opinions)—indicates that Eurogroup or ESM meetings aim primarily to produce a common viewpoint or crisis solutions. In short, this powerful endogenous dynamic favors mutual apprenticeship mechanisms, by inducing each member to take his partners’ political constraints into account, but also the formation of shared norms (concerning the credibility of eurozone governments and institutions or the range of economic policy solutions considered practicable).}

This transnational financial pole has acquired an essential brokering position as the political interface between European institutions and
national governments. In effect, it is a directorate partly autonomous of national and EU political-administrative spaces, but also partly embedded on a lasting basis in those spaces. No doubt this is the reason for its special power and capacity to frame the course of economic and monetary policies in Europe. Those involved in it know that once decisions have been taken or forms of agreement worked out, there is a good chance that they will also be approved in the political-administrative machinery of the member states. At least every member can count on the fact that the other participants will try to get their governments and civil services to endorse them, by mobilizing the authority they possess in their national political-administrative domain. The political imprint of this bureaucratic network in the definition of European policy priorities seems precisely from its intermediate position at the heart of both EU and national policy-making. In other words, the political authority acquired by this new transnational governing elite cannot be simply equated with the formal coercive power it acquired during the crisis. It lies in the more profound, yet less visible, transformation of the European project.

1. The (New) Conditions for Political Credibility

The binding effects of this governance of the euro have made themselves felt in the changes it has conferred on European politics itself. Two decades of EMU have profoundly transformed the ways in which the credibility of member states is gauged. It is not possible here to trace all the stages in this process, which has made respect for the “Maastricht criteria” the condition for the overall legitimacy and political weight of a member state in European affairs. The obligation to anchor the golden budgetary rule (a balanced budget) in the member states’ constitutions—which was imposed in 2012 under the Fiscal Compact—symbolized this new order in the core of the member states. Emmanuel Macron’s position that the French government would not have the legitimacy to regain the political initiative in the EU unless it had first “done its duty” (that is, left the “Excessive Deficit Procedure” it had entered in 2009) confirmed this from a different angle. European political authority is thus partly dependent on a country’s position on the “debtor-creditor” scale of values, thereby transmitting to the European project forms of valuation characteristic of rating agencies or players in the government securities market.
Another way of seeing this shift is in terms of incorporation into the heart of public administration, through the general reorganization that national or EU administrations have progressively initiated to maintain their standing and their credibility in this new European government.

Thus, the Commission has thoroughly redrawn its organization charts and its policy instruments as its role as chief prosecutor in the monitoring of member states has asserted itself. It has done this in such a way as to be capable of generating the expertise and forecasting necessary to produce the multiple reports by country and sector (employment, labor market, pensions system, and so on) that are part of its remit within the system of multilateral surveillance. Lacking the direct coercive power to get its notices and recommendations respected, the Commission has based its power instead on its capacity for expert and quantitative assessment of the economic state of the euro area. Eurostat, the Commission's statistical bureau, has played a new role here. Since 1995 it has been collecting data on national debts and excessive deficits (to which a number of other areas will soon be added), and the Commission uses these as the basis for its notices and recommendations to member states. With the creation of a special directorate (B4) for economic statistics and economic and monetary convergence, the Commission added to the existing expertise of the DG ECFIN a capacity for measuring and comparing the public deficits and debts of candidates for membership of the single currency—a capacity that would soon prove politically decisive. It is true that Eurostat must still base itself on data provided by national authorities, but the adoption in 2010 of the European System of Accounts (ESA) as the common standard for economic and budgetary data means that it has become the indispensable player. Indeed, after the Greek statistical fiasco came to light in 2009, precipitating the European financial crisis, ECOFIN gave Eurostat the powers to audit national statistics.

But the DG ECFIN is unquestionably the administrative structure that has been strengthened the most. In charge of drafting and monitoring budgetary rules, it produces the Broad Economic Policy Guidelines (BEPGs), which involve economic and budgetary forecasting, and drafts the alerts and recommendations issued to member states. In a climate of cost-cutting within the Commission, it has nevertheless been significantly strengthened through a sharp rise in its staff and the creation of new units capable of producing knowledge in the domain of
other DGs (DG EMPL, DG TAXUD), especially with regard to the labor market, but always within an “ECFIN perspective.” In this rearming of the EU administration, we should not forget the role of the Secretariat-General of the European Commission in coordinating the various DGs affected by the “European Semester” (DG EMPL, DG TAXUD, in addition to the DG ECFIN and Eurostat), but also in monitoring the Troika’s implementation of the memorandums (Structural Reform Support Service).

National administrations, for their part, have followed a mirror-image evolution. Now on the defensive in relation to the multilateral surveillance procedures, they have also reorganized to prepare, negotiate, and discuss the various documents and programs produced throughout the “European Semester” (see Box 1). For lack of deeper investigation, it remains difficult to assess the extent to which the principal ministries, beginning with the finance ministry, have become the “cheese structures” evoked by Yanis Varoufakis with regard to the ministry he headed in the first Tsipras government: that is, structures partly “governed,” or at least hemmed in, by this dense network of transnational coordination spearheaded by the Eurogroup. Everything indicates, however, that the governance of the euro (and the European system of multilateral surveillance) has sunk deep roots into the administrative levels of member states. There can be no doubt that it is helping to consolidate the role of finance departments in defining the actual position of the government, most notably within the “European Semester.” One of the surest effects of these processes is the considerable strengthening of the interministerial role of finance ministries in coordinating the European position of their respective national governments—thereby undermining the traditional position of foreign ministries and permanent representatives of member states in Brussels, whose role has been accordingly reduced. Or perhaps the effect is that the competence now expected for the role of permanent representative (ambassador) in Brussels presupposes monetary and financial expertise, which is unevenly distributed among diplomats.

2. Tutelage of Economic and Social Policies

It is true that this gradual shift of the center of gravity in European politics has not taken place without resistance or countermobilizations.
When the definition of the Europe’s Broad Economic Policy Guidelines (BEPGs) was being firmly placed under the authority of the financial pole, with the main priorities being the struggle against inflation, budgetary equilibrium, and major financial balances, the mid-1990s saw a countermobilization of the European “social pole” encouraged by the coming to power of Social Democratic governments in a majority of EU-15 countries. In 1994 this attempted rebalancing took shape in Essen in the European Council’s launching of a “European Employment Strategy” (EES). Later enshrined in the Amsterdam Treaty in 1997, it was supposed to promote the development of a skilled, well-trained, and adaptable workforce, as well as labor markets capable of reacting rapidly to the evolution of the economy. An Employment Committee, modeled on the Monetary Committee, had even been created in 1995 to enable senior officials in labor and employment ministries to coordinate their work on the EES and to counterbalance the increasing role of ECOFIN.

This Employment Committee was also supposed to help extend the range of the Broad Economic Policy Guidelines by including the key points in the European Employment Strategy. In reality, however, as the “Lisbon strategy” adopted by heads of state and government in March 2000 would confirm, the BEPGs ultimately remained the sole responsibility of ECOFIN—a fact underlined by their assigned task of establishing “the medium to long-term consequences of structural reform policies to tap the potential for economic growth, employment and social cohesion, as well as the transition to a knowledge economy.” In fact, at the Commission it was the DG ECFIN that gradually imposed its leadership in the definition and monitoring of the Lisbon strategy and the BEPGs. And significantly, in December 2005 it also developed the annual LABREF database on labor market reforms, which tracked the taxes on labor, the length of work time, labor legislation, and so on in all member states, as well as the LIME (Lisbon Methodology) assessment framework, which allowed it to compare progress in “structural reforms” by member states, as defined in 2000 in the “Lisbon Strategy.” Thus, in the middle of the first decade of this century, the financial pole—ECOFIN, the Economic and Financial Committee, and the DG ECFIN—largely established their tutelage over the definition of the EU’s economic and social policies.

In many respects the “European Semester” consolidates this process of “economization of the social,” binding the social and environmental
pole, through “structural reforms,” to the machinery of multilateral surveillance. If the DGs and groups linked to these poles have seen benefits in the “European Semester” as a powerful lever of influence over the policies of member states—in so far as it “socializes” or “greens” the scoreboard of macroeconomic indicators used for the assessment of economic policy convergence—this has happened only with the proviso that they agree to play the role of junior partner. In fact, social rights and safeguards or environmental factors are integrated only marginally, and anyway most often abstractly, placing a question mark over the relative autonomy of these sectors that are now placed under the “European Semester” umbrella.

3. The Marginalization of Parliaments

As to the representative politics of parties and parliaments, it has never had a good press in the “financial” pole. According to a doctrine forcefully asserted in the 1980s, their versatility (or “inconsistency over time”) constituted a real threat to the policy of budgetary and financial stability. Their “credibility” was far from proven, especially if compared with what independent authorities such as central banks were able to offer. In fact, one result of the Maastricht Treaty negotiations that went almost unnoticed was the ejection of national parliaments and the European Parliament from the system of economic policy coordination of member states. The European Parliament was confined to a purely consultative role, with no say in the drafting of BEPGs or recommendations issued by ECOFIN to member states. At the very most, it was periodically kept informed of “advances in economic convergence.” As for national parliaments, which had featured in the first draft of the Maastricht Treaty in rather vague terms (“Governments shall bring the results of multilateral surveillance to the attention of their national parliaments”), they duly vanished in the course of the negotiations.

A choir of voices expressed alarm at this in the European Parliament, directly linking marginalization of the representative body to the absence of a social and ecological dimension in European economic policies. As early as 1990, in the first of a long series of parliamentary reports tending to involve the EP in the drafting of BEPGs, the Liberal Pat Cox had proposed that “the work of the Council in multilateral surveillance should be prepared by the Monetary Committee, in consultation with
the Economic, Monetary and Industrial Policy Commission" of the European Parliament.\(^9\) No success. A few months later, in his report of October 10, 1990, that would serve as a basis during the Maastricht negotiations, the Belgian federalist Fernand Herman, coming from the ranks of the European People's Party (EPP), proposed in his turn that the Commission's guidelines on multiannual economic policies and accompanying social policies "should be adopted by the Council in a joint decision with the European Parliament, after consultation with the Economic and Social Committee." So, once again it was clearly a question of bringing Parliament back into the EMU cockpit. But this was not to happen.

The European Parliament, supranational by construction, has never managed to adapt its monitoring to a system of multilateral surveillance still marked by an intergovernmental approach. Even today it intervenes too little and too late: it does not receive key documents such as national convergence programs, stability programs, or draft budgets that member states send to the European Commission in the framework of the European Semester (see Box 1). Above all, it lacks decision-making powers, participating neither in the establishment of the European Semester's strategic priorities, nor in the drafting of Country-Specific Recommendations (CSRs) once they have been adopted by the Council. In essence, European Parliament is confined to procedures of information, dialogue, and consultation—which again places parliamentarians in a passive position. And this is not to mention the Parliament's very limited powers of scrutiny over the Eurogroup—as the Eurogroup leaders have not failed to underline again recently by taking no account of the strong reservations expressed by the EP over the appointment of Luis de Guindos from Spain to the post of ECB vice president.\(^7\) As for the European Stability Mechanism and the European Financial Stability Facility, which are key financial structures for the memorandums, they completely pass the EP by.

The national parliaments hardly come out of it better. As we know, the parliaments of countries that have benefited from financial assistance (Cyprus, Greece, Ireland, Portugal, Spain) have had their budgetary options severely restricted by the hasty adoption of an unamended series of structural reforms. It is worth recalling that, under the Greek adjustment program adopted by the Euro Summit on July 12, 2015, the Greek Parliament had one week to enact a package of unprecedented reforms con-
cerning pensions, taxes, civil courts, and so on. Hit in their core prerogatives, national parliaments have not remained idle and have geared up in their turn. But this rearmament is still a long way from offsetting the loss of control that results from the increased power of the European system of economic and budgetary policy surveillance. The capacity of national parliaments to influence the course of EMU policies is very weak or close to zero. Most are content to be involved through consultation or discussion with their government—often after the event, when the government has already drawn up its annual plan for the Stability Pact. In fact, if parliaments have tried to follow the process, it has been by accepting a weak version of their powers of review (again the triad: information, consultation, and debate), which they are all the more hesitant to use because governments frequently call on their “sense of national responsibility.” Parliaments have indeed tried to combine forces in the modest Interparliamentary Conference created by the Fiscal Compact. But this lacks binding powers and is a prisoner to conflicts between its European and national components; it has remained to this day no more than a discussion forum, and it is hard to perceive in it any policy-making potential.

Such, then, is the “democratic black hole” of this governance of the euro: too Europeanized to be effectively controlled by each of the national parliaments, it remains too intergovernmental to be effectively controlled by the European Parliament. Although here and there a few scattered mechanisms orchestrate the role of parliaments, representative politics enters the picture—if at all—only at the end of the road, to be consulted at best over choices and decisions deliberated in its absence.

4. In Search of a Democratic Multiplier

In sum, the euro has had the effect of a constituent power on Europe. Far from being just one more European community, the Economic and Monetary Union is progressively imposing itself as a cornerstone for all EU economic and social policies, and its restrictive effects are today directly felt at the heart of national social pacts. Constructed by the powerful network of national and European financial bureaucracies around the objectives of financial stability, budgetary consolidation, and

---
structural reforms, this government has acquired considerable clout over the years and clamps member states' policies (budget, welfare, education, labor market) within a vise of common obligations and constraints. Through these multiple national ramifications, this new European power has definitively shattered what was left of the frontiers between the "European" level and the "national" level. Breaching with the European tradition of "gradualism," it has taken on the eminently constrictive power of political and administrative tutelage over member states "under program," to which social and budgetary shock therapies have been applied.

This powerful system of governance has developed extra muros, however, in an unmonitored space between the politics of member states and the politics of the European Union. Under the impact of the autonomized network of treasury departments and central banks, a "technocratic temptation" (to quote Pierre Moscovici) has progressively asserted itself. A whole policy of "containment" has thus helped to keep the actors of representative politics at a safe distance from the loci of decision making about the euro, to the point where, given the "burning obligation" of eurozone stability, votes are made to appear as so many intolerable "risks" and "uncertainties." In short, under the growing empire of this governance, the "off camera" area of democratic politics has been ceaselessly expanding.

At both the national and the EU level, then, the euro has helped to reinforce the structural subordination of parliaments, but also of social state players, in the steering of economic policies. Worse: it has developed a type of deafness—to the alarm signals coming from heterodox economists, to warnings from the European Committee of Social Rights, and to NGOs concerned with human rights (to take but a few examples). Entirely centered on the objectives of financial stability and improved public accounts, it has haughtily ignored alternative policy suggestions that would have made it possible to address long-term European integration, whether through an investment program in favor of European public goods, the networking of public investment banks, the reinsurance of national unemployment insurance schemes, and so forth. Obsessed with deviations from the budgetary norm, it has presented a united front against a series of modest attempts to renegotiate and reorient European economic policies, thereby blocking all prospects of
significant policy change. And it is jointly responsible for the profound indifference to Brussels now felt by European citizens coming either from the popular or the middle classes, who are convinced that politicians are incapable of affecting the course of the policies developed there. It should not be forgotten that this political vacuum around the governance of the euro has been filled by far-right populist parties, which, for their part, have succeeded in imposing a transnational framework on the European crises of the past decade in terms of welfare nationalism and a rejection of European solidarity.

Consequently, the issue cannot be simply to inject a "dose" of democracy. We cannot be satisfied with the modest technical adjustments proposed in the imposing literature of reports, road maps, and assorted memorandums, which aim to "fix the Euro" and ritually appeal—in formulas whose imprecise terminology rivals their vague objectives—for the "strengthening of democratic government," "greater involvement" of national parliaments, and so on. The challenge is of an entirely different order. To leave the universe of democratic eclipses, it cannot be enough to think of a parliament as a body that ratifies deliberations and decisions taken elsewhere in its absence.

The T-Dem proposes, on the contrary, a real democratic transplant at the heart of this new European power bloc. The issue is not simply democratic in the institutional sense of the term—even if it is important, of course, to build the instruments that can wrest it from the opacity and the juridical-political unaccountability in which it has gradually taken refuge. To loosen the technocratic vise is also to make other policy choices possible; the (opaque and irresponsible) form of this governance of the euro and the (orthodox, narrowly financial) content of the policies forged within it are closely bound up with each other. In this sense, the democratic question is not only a question of democracy. By restoring the full importance of social mobilizations and transnational political divisions, one brings into the steering of the euro and the definition of European economic policies a number of players and causes that have hitherto been thoroughly excluded.

This is the democratic multiplier, which, in giving every chance to the transnational politics of parties and citizens, ought to release a breath of wind over the whole machinery of governance of the euro. The T-Dem, then, is not simply a reactive or defensive proposal to enable
the formation of a democratic counterpower. By giving the euro a legislative and budgetary arm over which the Parliamentary Assembly thereby created will have the final say, it offers the necessary instruments for the formation of common policies of social and fiscal harmonization and for the launching of public investment that European citizens need today. Similarly, in registering how "national" and "European" have become blurred over the last two decades in connection with the euro, it offers a political framework to go beyond the lazy opposition between federalism and sovereignty and to avoid blockages and immobility linked to the Europe of national interests. In this sense, it is also a proposal for effective policies in the service of economic and social cohesion.

Bibliographical Note

The narrative and diagnosis of a "euro-ization of Europe" in part draws upon a set of investigations conducted over the years by the authors of the T-Dem; but it is also grounded in a rich body of literature in history, political economy, political science, and law that developed as the Economic and Monetary Union (EMU) was taking shape. This Bibliographical Note should thus be viewed, not as an exhaustive literature review, but instead as a list of intellectual debts owed while this text was being written.

The history of the EMU has long been a matter for insiders. Through the oral records of the Historical Archives of the EU and testimonies, the negotiators of the various European agreements and the members of expert committees have played a crucial role in constructing the narrative for the emergence of the euro. This has been so most notably for the "Maastricht moment" with, among others, the long essay by L. Bini-Smaghi, T. Padoa-Schioppa, and F. Papadis (1994), all three of whom are former members of the research department of the Banca d'Italia and prominent figures in the history of the euro area. The advisor to the director of the economic department of the DG ECFIN, Alexander Italianer also authored an excellent account of the context and conditions that brought about the famous "Maastricht (convergence) criteria" within the Monetary Committee (Italianer 1993). Other observers, such as Bernard Conolly (2011), who was in charge of European monetary policy within the Commission until he resigned in 1995, and the former
Greek finance minister Yannis Varoufakis (2017), offer a more critical approach, which conversely reflects their status as outsiders in the world of European economic governance (Lebaron and Georgakakis 2018).

It is only later, in the early 2000s, that the history of the EMU truly penetrated the academic field. The publication of the indispensable 800-page volume by Kenneth Dyson and Kevin Featherstone (1999) played a key role in this normalization process. Based on 280 interviews, this magnum opus offers a refined account of the “micro-decisions” that paved the way to the EMU, providing a story “from below”—which not only considers the key political negotiators of the EMU, but also focuses on those in the shadows, such as senior officials from national diplomatic services and finance ministries, central bankers, and European officials from the DG ECFIN. As shown by the specific case of Italy, the advent of the euro was also precipitated by national political and administrative elites, who imposed this “vincolo esterno” to strengthen their position in the domestic field of power (Dyson and Featherstone 1996). A few American studies, drawing upon intergovernmentalist theories, have also focused on the Franco-German deal as a key factor in the emergence of the EMU (see, for example, Moravcsik 1998; Howarth 2001), while others chose to emphasize the entrepreneurship of the Commission (Jabko 1999; Verdun 1999).

Confirming the normalization process, numerous empirical studies have investigated policy arenas that grand narratives had so far overlooked. The bureaucratic depths of the EMU were thus progressively delved into. Historian Harold James (2012) draws on historical archives from central banks and the Bank for International Settlements to shed light on the negotiations between central bankers (see also E. Mourlon-Druol 2012; Scheller 2011). Others have investigated the decisive contributions of central bankers (Maes 2012; Feiertag 2013; Lebaron 2016), senior officials from national treasuries (Lemoine 2016), certain academic circles (Bucher 2016; Helgadóttir 2016), the Delors Committee (Verdun 1999; Marcussen 2000), the Economic and Financial Committee (Verdun 2000), and the activity of the Eurogroup (see the pioneering work in Puetter 2006).

The economic and financial crisis, and the many new instruments it brought about in the field of economic and fiscal policy surveillance and coordination, have completed the normalization of this field of study.
An inquiry into the effects of these new policies has contributed to the understanding of the Stability and Growth Pact (Heipertz and Verdun 2004), the Broad Economic Policy Guidelines (Deroose, Hodson, and Kuhlmann 2008), the European Semester, and the adjustment programs entered into by states under financial assistance. Most notably, significant studies were conducted, in the framework of the research network Enlighten at the Free University of Brussels (Coman 2018; Crespy and Vanheuverzijn 2017, 2018), on the many new arenas of political and administrative negotiations opened by these new procedures. We should also mention the work of lawyers (such as Dawson 2015; Dawson, Enderlein, and Joerges 2016), and others whose work was very valuable when writing this chapter, on the conditions leading up to the establishment of the government of the euro area (Dermine 2018) and the minor role played by social rights and, more generally, fundamental rights in that framework (Dermine and Schutter 2017). Last but not least, the observed emergence of a strong power center around the government of the euro area has raised questions about its consequences in terms of political accountability and democratic control, both at the European and national level. A rich set of studies by experts on parliamentarism around Nicola Lupo and Cristina Fasone (2016) from LUISS, but also by Ben Crum (2017) and Diane Fromage (2018) have highlighted the resulting political and democratic deficit (see also Scharpf 2015; Vauche 2016).

As the study of European economic governance became a "normal" terrain of research, it was in turn deeply marked by the *summa divisio* in European studies between "intergovernmentalists" and "supranationalists." While the former argue that the management of the eurozone crisis has contributed to opening a new phase in the history of the Union established by the Maastricht Treaty (Bickerton, Hodson, and Puettter 2015), the latter observe a continuous consolidation of the position occupied, in the field of economic governance, by the Commission and the ECB (Dehouse 2016) and the network of institutions (such as Eurostat) that they coordinate (Savage 2005). Seeking to overcome the difficulties and many dead angles created by such opposition, a more relational and structuralist approach (Lebaron and Georgakakis 2018a, 2018b; Mudge and Vauche 2016, 2018) has emphasized the interdependencies that cut across the different actors, institutions, and levels that make up this emerging transnational policy field.
Notes


11. In the case of France, for example, these recommendations included bringing the budget deficit below the threshold of 3% of GDP, encouraging participation in an active life, reducing structural unemployment, ensuring the long-term viability of public finances in the face of demographic ageing, ensuring competition in network industries, and accelerating measures to create a level playing field in the internal market.


**Bibliography**


—0

—1


