15. Reforming the European Parliament’s Monetary and Economic Dialogues: Creating Accountability Through a Euro Area Oversight Subcommittee

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Please cite as: Chang, Michele, and Dermot Hodson. 2018. "Reforming the European Parliament’s Monetary and Economic Dialogues: Creating Accountability Through a Euro Area Oversight Subcommittee " In *The European Parliament in Times of EU Crisis: Dynamics and Transformations*, edited by Olivier Costa, 343-364. London: Palgrave.

Parliamentary oversight – which McCubbins and Schwartz (1984, p. 165) define as the attempt to detect and remedy the failure of executives to comply with legislative goals – is an essential characteristic of democracies.[1] Oversight is especially important in relation to economic policy, an area where executive slippage can have profound implications for people’s standards of living and society more generally. Although there are arguments for freeing elements of economic decision-making from day-to-day control by politicians, these do not negate the need for democratic checks and balances. Indeed, the turn towards independence in economic decision-making since the 1980s strengthens the case for robust parliamentary oversight in this domain (Berman and McNamara, 1999). While some would argue that the EP’s powers are more limited than those of national parliaments, the influence of the latter should not be overstated. The United States’ Congress is sometimes viewed as a pedigree economic watchdog (Waller, 2011), but Cheryl Schonhardt-Bailey’s research casts doubt on whether the House and Senate banking committees truly hold the US Federal Reserve to account (2013: p. 318–320). Some legislatures are intimately involved in economic decision-making, but the turn towards independent central banks and fiscal rules in advanced industrial democracies over the last two decades has depoliticized economic policy in ways that do not always favour **democratic accountability** (Buller and Flinders, 2005). European integration has reinforced this trend, leading some scholars to speak of the deparliamentarization of policy-making in the economic sphere as well as others (O’Brennan and Raunio, 2007).

The global financial crisis of 2007-2008 was testament to parliamentarians’ collective failure to hold economic policy-makers’ feet to the flames. The European Union (EU) paid a higher price for this shortcoming than most, given the sovereign debt crisis that followed. National parliaments are the chief culprits for failing to spot the catalogue of policy errors that led to these twin crises, underlining the need for more robust parliamentary oversight at the national level. The EP, for its part, should have done more to hold EU and national policy-makers to account and to address systemic problems and spillovers in the EU and euro area. Increased oversight is a

[1] An earlier version of this chapter was presented at a workshop organized by the College of Europe and the European Parliament Research Service in May 2017. Thanks to the workshop’s participants and a number of European Parliament officials for extensive feedback. The views presented in this chapter and any errors that remain are the authors’ alone.

common response to crises, and a series of reforms to euro area governance enacted in the light of the global financial crisis have gone in this direction. Member states' agreement under the Fiscal Compact[2] to establish independent fiscal councils to oversee compliance with EU fiscal rules is one manifestation of this trend. So, too, are the so-called public hearings between the EP's Economic and Monetary Affairs Committee (ECON)[3] and heads of the institutions involved in European Banking Union.[4] Moreover, the EP has engaged in *ad hoc* hearings with the heads of the European Stability Mechanism, Eurostat and the European Investment Bank, and it conducts meetings with national parliaments under the European Semester.

The euro area's economic governance reforms (specifically the regulations in the Six Pack and Two Pack) have given the EP additional opportunities to engage with EU- and national-level actors. Can we equate this with enhanced accountability? Grant and Keohane (2005, p.29) defined accountability as a situation in which 'some actors have the right to hold other actors to a set of standards, to judge whether they have fulfilled their responsibilities in light of these standards, and to impose sanctions if they determine that these responsibilities have not been met.' How can the EP provide effective parliamentary oversight for the EU, given that its legal and political arsenal is limited compared to its national counterparts? A concern among new intergovernmental scholars is that the EP trades off influence for accountability, i.e. that it provides for a seat at the negotiating table without ensuring that the results of this negotiation carry democratic checks and balances in line with the Community method. The creation of the Economic Dialogue under the **Six Pack** and **Two Pack** poses an interesting challenge in this regard (e.g. Pollak and Slominski, 2015).

This chapter contrasts the EP's **Monetary Dialogue** with the **European Central Bank** (ECB), which has run since 1998, with the **Economic Dialogue**, a forum launched in 2011 to hold EU institutions and member states involved in EU economic governance to account.[5] It charts the creation of these dialogues and evaluates their implementation. The Monetary Dialogue, it argues, has helped to promote greater transparency over euro area monetary policy, although it would benefit from focusing on a narrower range of policy issues and closer cooperation between Members of the European Parliament (MEPs). The Economic Dialogue is a welcome addition to the EU's economic governance architecture, it concludes, but its effectiveness has been blunted by a lack of resources and institutional constraints. The chapter calls for the Monetary and Economic Dialogues to be delegated to a new subcommittee (EOAS) to enhance the democratic oversight of EMU.

The Origins of ECON and the Monetary Dialogue

The EP is the EU's competence maximizer par excellence. Rarely has it missed an opportunity to increase its oversight of EMU even if the treaties provided limit scope for doing so. Once the European Council agreed to move forward with plans for EMU, the members of the Economic and Monetary Affairs (ECON) Committee opened informal channels of dialogue with the Committee of Central Bank Governors on monetary matters, the Commission and the Council on economic matters (Jacobs,

[2] Also known as the Treaty on Stability, Coordination and Governance.
[3] This committee has been known by various names and acronyms, including EMAC, but we stick to ECON for simplicity's sake.
[4] That is the Single Supervisory Mechanism, the Single Resolution Board, the European Supervisory Agencies and the European Systemic Risk Board
[5] Article 2a, Regulation (EU) No 1177/2011

1991). This was a continuation of efforts by this committee and its antecedents to gain a foothold in EMU. ECON was not among the original EP committees established by the Treaty of Rome, but an Economic and Financial Committee was established shortly afterwards. By the early 1970s, it had changed its name to ECON and was, on its own initiative, keeping a watching brief on the implementation of the Werner Report (see Bousch, 1974). Calls for greater EP oversight of economic policy to be strengthened date from this period. In 1974, a high-level study group led by the British economist Alexander Cairncross called for the creation of a committee of economic advisors to the EP to strengthen democratic oversight of the embryonic EMU (Cairncross, 1974). ECON's inclusion among the standing committees established by the EP in 1979 enhanced its status, as did the appointment of Jacques Delors as its chair. Delors played an active role in monitoring the European Monetary System, even though this system operated at one remove from the treaties, before he left to become French finance minister and, later, Commission President.

The 1989 Delors Report, which revived and reworked plans for EMU, saw no great need for increased oversight in relation to the project's economic dimension. A new monetary institution should be put within the EP's 'constellation', the report accepted, but the tasks assigned to the EP in the economic domain by the Treaty of Rome would otherwise suffice (Committee for the Study of EMU, 1989). Council decisions concerning economic policy coordination in EMU's third stage should be done with the cooperation of the EP, it was suggested. The Maastricht Treaty diluted this provision by stipulating that the EP should be kept informed of the Council's surveillance efforts. The EP was also authorized to invite the President of the Council to appear before its competent committee in the event that a member state was sanctioned for breaching the Broad Economic Policy Guidelines[6] (BEPGs) or for failing to correct excessive budget deficits.[7] These provisions were a deep disappointment for the EP, which had proposed the extensive use of co-decision on the adopting of conjunctural measures and guidelines relating to economic and social policies in its proposals to the intergovernmental conference on EMU (Jacobs, 1991, p. 378).

During the Maastricht Treaty negotiations, the EP unsuccessfully sought the insertion of a legal obligation for the ECB president's appearance before the EP akin to the obligations of the US Federal Reserve System. In the end, the Maastricht Treaty's provisions on EP oversight of the ECB were quite limited. The ECB was required to report annually on its activities to the EP, which was given the authority to hold a general debate on that basis.[8] The Treaty also allowed ECB Executive Board members to be heard before 'the competent Committees' of the EP at the instigation of either party.[9] Despite the lack of a firm legal basis, the EP 'could be seen defining its role keeping the ECB accountable in a proactive way' (Amtenbrink and van Duin 2009: p569) by including in its rules of procedure an invitation to the ECB president to visit ECON on a quarterly basis to make a statement and answer questions. Similarly, the stipulation that any MEP could demand a written answer to a question also finds its roots in rules of procedure.

The ECB accepted the EP's proposal and the first exchange of views took place in September 1998, building on the European Parliament's ongoing exchange of views with the European Monetary Institute since 1994. The modalities of this new

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[6] Article 121(5) TFEU
[7] Article 126 TFEU
[8] Article 109b, TEC
[9] Article 109b, TEC

forum, which came to be known as the Monetary Dialogue, were set out in an inter-institutional agreement between the EP and ECB (Collignon and Diessner, 2016, p. 1302). Few commentators expected the Monetary Dialogue to amount to much, but it has proved to be a mutually beneficial forum. For the ECB, the Monetary Dialogue offers further evidence of the Bank's commitment to transparency and a public platform from which to expound on policy issues in a less technical way. For the EP, the Monetary Dialogue offers a chance for MEPs to (be seen to) hold the ECB to account, as well as a foothold in an area of EU policy-making in which the legislature has limited competences.[10] Although it is difficult to measure the precise impact of the Monetary Dialogue, Amtenbrink and Van Duin (2009) argue that the EP has achieved a level of oversight for euro area monetary policy beyond that envisaged in the Treaty, even if doubts remain about whether the ECB is being held sufficiently to account. The ECB President appears with greater frequency before the EP than do the heads of the Federal Reserve and Bank of England before their respective legislatures (Eijffinger and Mujagic, 2004). This lends credence to the ECB's claims of accountability in response to criticisms over its independence (Buiter, 1999).

The Monetary Dialogue in Action

The Monetary Dialogue occurs four times a year and typically lasts two hours. The ECB President begins with an introductory statement, which is followed by questions from the ECON members. A monetary expert panel supports ECON by providing briefing papers on a range of issues related to monetary policy. Since 2006, for each hearing two topics are identified for which the experts write papers, and the ECB President is expected to comment on them during his introductory statement. Neither the ECB President nor the ECON members have been bound by the identified topics; the former frequently fails to mention the topics in the opening statement, and the latter do not limit themselves to asking questions about them (Amtembrink and van Duin, 2009).

The Monetary Dialogue is similar in structure to the hearings that the US Federal Reserve and the Bank of England have with their respective legislatures, with the key difference being that the EP lacks the possibility to sanction the ECB. For some scholars, this makes the euro area monetary authority 'less accountable or transparent than the Bank of England or the Fed' (Clayes et al. 2014, p.2). What is clear is that the ECB faces no direct consequences as a result of its dialogue with ECON. The dialogue is, moreover, conducted between the ECB and individual MEPs. Although MEPs speak on behalf of their constituents and, perhaps, their political group, they do not speak for the EP. The EP's own-initiative report in response to the ECB's annual report is more representative of the institution in this regard since it is voted on in plenary prior to the annual debate with the ECB president.

The Monetary Dialogue evolved during its first decade as the ECB operated not only according to the limited accountability constraints of the Maastricht Treaty but the political dynamics of the time; the ECB arguably took refuge behind its expertise, portraying itself as a technocratic institution that provided a public good while the EP fought its monopoly on the monetary policy discourse by discussing

[10] It could be argued that MEPs rather than the EP are holding the ECB to account through the Monetary Dialogue. Committees have the authority to decide on draft resolutions but resolutions can only be adopted in plenary sessions. This procedural point, though it is correct, overlooks the significant legitimacy exercised by EP committees. When the ECB attends ECON, the former is widely seen as appearing not *at* but *before* the EP (see, for example, Amtenbrink and Van Duin, 2009).

their political ramifications (Jabko, 2000). During this period, the ECB was 'highly responsive to the ECON' (Eijffinger and Mujagic 2004, p.190) and the dialogue seemingly had an impact on the ECB's procedures, such as the May 2003 reform that removed the M3 from the policy analysis and refined the definition of price stability (Sibert 2005). The Parliament's approach also evolved, moving away from the focus on price stability to include topics like the ECB's general mission and level of transparency (Amtembrink and van Duin, 2009).

The Monetary Dialogue, the Bank concluded in its report on 10 years of EMU, 'allows the ECB to be effectively held accountable to the EU's elected representatives and the public' (European Central Bank, 2008). An EP resolution at this time declared the Monetary Dialogue 'a success' (European Parliament, 2008). In spite of these assessments, the Monetary Dialogue has been viewed as inadequate by some. Charles Wyplosz (2007) referred to it as a 'gentlemanly discussion' in which accountability is neither mentioned nor achieved. Moreover, the expansion of the ECB's activities during the sovereign debt crisis could merit additional accountability measures (Braun, 2017). Given that its forays into unconventional monetary policy (including the Securities Market Programme, Long-Term Refinancing Operations, as well as its Emergency Liquidity Assistance) and its participation in the troika, the ECB has expanded its responsibilities de facto if not de jure. These policies, however, have clear fiscal and distributive consequences and have raised the spectre of fiscal domination. The ECB may have played a critical role in saving the euro (Chang and Leblond, 2015), but the creeping competence should not be overlooked (Chang, 2018). The methods of accountability remain the same, focusing on transparency and the Monetary Dialogue.

How has the Monetary Dialogue changed since the euro crisis? For one thing, it has exposed the ECB to a broader range of questions from MEPs. During the first decade of EMU, MEPs focused on growth and employment, while the ECB tended to restrict remarks to issues concerning price stability. From 2013 to 2016, however, about half of the MEP's questions related to financial supervision, country surveillance and euro area governance reforms, and the number of questions posed to the ECB increased significantly. While the Monetary Dialogues do not seem to have influenced financial market expectations, they have contributed to greater transparency and therefore legitimacy (Collignon and Diessner, 2016).

And yet, the Monetary Dialogue has been driven to a large extent by the ECB itself. The treaty obligations of the ECB towards the EP are quite slim, and the ECB entered into the exchange of views with ECON voluntarily to bolster its own claims for legitimacy by engaging in the Monetary Dialogue helped the ECB address criticisms regarding its high degree of independence, making the exchange mutually beneficial (Jabko, 2000). The ECB's responsiveness to ECON demands is also voluntary, as the EP holds no formal sanctioning mechanism against the ECB. In contrast to the US Federal Reserve's hearings before the US Congress, the ECB can reject the EP's suggestions with little cost, except perhaps for reputational damage. In this respect, the Monetary Dialogue serves more as ex-post scrutiny by the EP that also provides an opportunity for the ECB to enhance its transparency than as a mechanism for democratic accountability.

Since the sovereign debt crisis, the EP's 'competence has only been marginally strengthened and thus remains rather limited' (Jančić, 2017, p.145). Considering the fiscal implications of ECB actions during the sovereign debt crisis, there is an argument for strengthening the Monetary Dialogue to ensure even greater accountability (Belke, 2014). Karl Whelan (2014) suggested that the dialogue improve its focus and in particular make more use of the analyses provided by experts. Indeed, MEPs could work more closely together in ECON, focusing on fewer topics and working more in unison to commit itself to at least enhancing the ECB's transparency, if not holding the ECB to account.

The Origins of the Economic Dialogue

The need for – and paucity of – parliamentary oversight of economic policy is a recurring theme in the history of EMU. The 1970 Werner Report, an early ill-fated proposal for EMU, called for the creation of a Centre of Decision for Economic Policy that would be accountable to the EP (Werner 1970, p. 13), although it offered limited detail on what powers the former would possess and how the latter would hold it to account. The report did argue, however, that the budgetary powers of the EP would need to be increased as a result of EMU and it dropped a heavy hint about the need for direct elections. The EP, it concluded, 'will have to be furnished with a status corresponding to the extension of the Community missions, not only from its powers, but also having regard to the point of views of method of election of its members' (Werner 1970, p. 13).

After EMU was finally realized in 1999, the success of the Monetary Dialogue led to calls for the creation of an Economic Dialogue to focus on economic surveillance (see Hallerberg, Marzinotto and Wolff, 2012, p. 36-7). Deroose, Hodson and Kuhlmann (2008) were early advocates for such a dialogue, which they argued could help the EP to play a more effective role in relation to the BEPGs, as well as to strengthen the democratic accountability of economic governance more generally. To this end, they called for the Commissioner for Economic and Monetary Affairs and the president of the ECOFIN Council to appear before the EP at regular intervals. Finance Ministers of member states facing Council recommendations should also be invited to extraordinary sessions of the Economic Dialogue, they added, to discuss their country's economic situation.

The EP continued to press for greater oversight of euro area economic policy during EMU's first decade. In 2006, an ECON report on the European Commission's annual report on the euro area called for a joint dialogue between the Eurogroup, the Commission and Parliament to take place at least annually (García-Margallo y Marfil, 2006). A joint appearance by the Eurogroup President and Commissioner for Economic and Monetary Affairs in July 2007 to discuss the Commission's 2007 annual report on the euro area constituted a step forward in this regard.

The idea of an Economic Dialogue was formally taken up in the Six Pack, Two Pack and the Fiscal Compact (although the Fiscal Compact does not form a legal base for dialogues in EP). Under the Six Pack, a set of six laws adopted by ECOFIN and the EP in 2011, an Economic Dialogue may be created for the Commission to make its analysis public, to promote discussion with the Commission, the Presidents of the Council, European Council, Eurogroup and member states. Specifically, this legislation allows the competent committee of the EP to invite the Commission and the Presidents of the Council, European Council, and Eurogroup to discuss matters relating to the Stability and Growth Pact's corrective[11] and preventive[12] arms, the corrective arm of the Macroeconomic Imbalance Procedure[13], the BEPGs, economic

[11] Article 2a, Regulation (EU) No 1177/2011
[12] Article 3, Regulation (EU) No 1173/2011
[13] Article 6, Regulation (EU) 1174/2011

and multilateral surveillance, and the European Semester.[14] The EP may also invite member states for an exchange of views, specifically those:

- facing recommendations for corrective action for failing to respect the BEPGs or otherwise jeopardising the smooth functioning of EMU by breaching medium-term budgetary objectives;[15]
- facing disciplinary action under the Stability and Growth Pact's corrective[16] or preventive arms;[17]
- subject to sanctioning under the Macroeconomic Imbalance Procedure's corrective arm.[18]

Under the Two Pack, which entered into force in May 2014, euro area members that are party to an economic adjustment programme and subject to fines under the excessive deficit procedure may be invited to an exchange of views with the EP.[19] In addition, the EP may invite the Commission and the Presidents of the Council, European Council, and Eurogroup to discuss the following:

- Commission's assessment of budgetary situation and prospects for the euro area as a whole;
- economic partnership programmes;
- the corrective arm of the Stability and Growth Pact;[20]
- or the economic and budgetary surveillance of euro area member states experiencing or threatened with serious difficulties with respect to their financial stability.[21]

The Fiscal Compact, a treaty between a subset of EU member states that entered into force in December 2012, stated that the President of the Euro Summit shall present a report to the EP after each Euro Summit meeting.[22]

The Economic Dialogue in Action

Assessing the effectiveness of parliamentary oversight is difficult because executives' compliance with legislative goals depends on a combination of factors that are within and beyond their control as well as difficult to disentangle. It can also be challenging to identify non-compliance by an executive until well after the fact, if at all. Possible remedies to non-compliance vary, and it is not always clear whether naming and shaming, the most common form of oversight, is a judicious policy instrument or merely parliamentary grandstanding.

One way of evaluating the effectiveness of parliamentary oversight is to consider the resources devoted to its preparation. The EP's Economic Governance Support Unit assigns 3 full-time officials to the preparations of briefings for the

[14] Article 14, Regulation (EU) 1176/2011
[15] Article 2-ab, Regulation (EU) No 1175/2011
[16] Article 2a, Regulation (EU) No 1177/2011
[17] Article 3, Regulation (EU) No 1173/2011
[18] Article 14, Regulation (EU) 1176/2011
[19] Article 15, Regulation (EU) No 473/2013
[20] Article 15, Regulation (EU) No 473/2013
[21] Article 18, Regulation (EU) No 472/2013
[22] Article 13, Fiscal Compact.

Economic Dialogues with the other EU institutions and member states.[23] Inputs provided cover both internally prepared factual notes and, in some cases, externally prepared studies or in-depth analyses. This compares favorably to the Monetary Dialogue, which has just one dedicated official, and it is on a par with the House of Lords Economic Affairs Committee, which has a clerk, a policy analyst and one assistant. But it falls well short of the United States Senate Committee on Banking, Housing, and Urban Affairs, which has 44 full-time staffers, and the House of Commons Treasury Committee, which has one clerk, two senior economists, three committee specialists, two assistants and one media officer.[24]

The Monetary Dialogue has a reputation for being 'thoroughly prepared' (Gros, 2004). Before each meeting, ECON's coordinators commission briefings, notes or in-depth studies by monetary experts (typically academic economists or think tank staff) on two or three specific topics. Receiving multiple ten papers on each topic, the MEPs who sit on the Monetary Dialogue are informed about key issues relating to monetary policy. ECON has commissioned briefings only for Economic Dialogues with the Eurogroup President and not, it would appear, with interlocutors form other EU instituitons. When analysis is commissioned, between three and five contributions are provided on just one topic depending on the length of the document. In consequence, the Economic Dialogue is more heavily reliant on short notes prepared by the Economic Governance Support Unit. These notes typically offer a general overview of the economic situation and compliance with EU procedures and objectives.

The success of the Monetary Dialogue partly lies in its transparency. Minutes of meetings are published on ECON's website, as are the briefings of its outside experts. In contrast, no minutes are published for the Economic Dialogue, though ECON publishes preparatory notes and expert briefings (where available). The availability of video recordings of Economic Dialogues on the EP's website helps to redress this deficit to some degree but they are not as useful for journalists and academic researchers seeking to track discussions between MEPs and the invitees to Economic Dialogues.

A weakness of the Economic Dialogue is that there is limited follow-up to its deliberations. The ECB has agreed to answer written questions from MEPs, which are published along with answers in the EU's Official Journal. The Monetary Dialogue also encourages follow-up by pressing particular policy recommendations in recurring meetings with the ECB President. The ECB's willingness to give ground on one of these points – the publication of ECB staff projections – provided an early win for the Monetary Dialogue. No such points have been pressed in the Economic Dialogue, which at the time of writing has yet to secure a discernable policy concession from its participants. MEPs can address written questions to the European Commission but not the Eurogroup or the member states.

The Monetary Dialogue, as noted above, relies on the willingness of the ECB to hold itself to account in ways that go beyond Treaty requirements. The Economic Dialogue is underpinned by secondary law, which creates an expectation (although not a legal requirement) that invitees will attend. But the Economic Dialogue remains reliant on the good will of its invitees; they come to the EP to engage in dialogue, not to give a deposition. Among the parties to the Economic Dialogue, the European

[23] This figure does not include those EP staff in, for example, the Directorate-General for Internal Policies of the Union or the European Parliamentary Research Service that occasionally produce analysis for the Economic Dialogue.
[24] Source: http://congressional-staff.insidegov.com/d/a/Senate

Commission has the strongest incentive to engage in a full and frank exchange of views with MEPs. This is not only because the European Commission is (increasingly) beholden to the EP because of the rules concerning the hiring and firing of the College of Commissioners. It is also because the Economic Dialogue provides a public forum for an institution that sometimes struggles to make its message heard. This explains why the Commission is the most frequent participant in the Economic Dialogue, attending five times in 2016, for instance, compared to four for the ECOFIN President and two for the Eurogroup President. As with the Monetary Dialogue and the ECB, the Economic Dialogue provides the Commission with a useful platform to explain its views and demonstrate its transparency and accountability.

The Eurogroup President has been a somewhat reticent participant in the Economic Dialogue. Jeroen Dijsselbloem limited his appearances at the Economic Dialogue to two times per year. These meetings took place in the spring and autumn, sometimes at short notice. Often, the topics under discussion were long since decided by the Eurogroup; for example, the dialogue on the third Greek bailout programme took place four months after the Eurogroup and Greek government had found an agreement (De la Parra, 2016). Ideally for the EP, the Eurogroup President would attend the Economic Dialogue at regular and predictable intervals. This would help with the preparation of the Economic Dialogue, particularly regarding the commissioning of expert briefings. Chairing the Eurogroup at a time of crisis was an arduous task, even before Dijsselbloem's responsibilities as Finance Minister of the Netherlands were taken into account. But the current situation undermines the EP's oversight of the Eurogroup's decisive role in the governance of EMU.

A conspicuous absentee from the Economic Dialogues is the President of the European Council. The fact that Euro Summits have not taken place regularly has also reduced the scope for dialogue envisaged under the Fiscal Compact. Herman Van Rompuy, the first full-time president of the European Council, furthermore, declined the opportunity to participate in the Economic Dialogue in favour of periodic appearances before the EP plenary. Van Rompuy's successor, Donald Tusk, continued this tradition. This situation is less than satisfactory, we contend, as speaking time available to MEPs in plenary sessions is more curtailed than is the case in committees. According to Miller (2009), the speaking time in EP plenaries ranges from five to six minutes for a party or group spokesperson and around two minutes for others. There are no such constraints in committee meetings.

ECON's ability to invite member states to an Economic Dialogue is constrained by legislation underpinning this forum. Whereas this legislation assumes that the Eurogroup President, for example, will attend discussions 'where appropriate',[25] the obligations placed on member states to attend are weaker. First, the legislation recognizes that EU institutions (rather than member states) are 'the counterparts' of the European Parliament.[26] Second, it requires only that member states be offered 'an opportunity to participate in an exchange of views' and makes clear that such participation is voluntary.[27] Third, this exchange of views is contingent on the triggering of certain disciplinary actions in relation to EU economic governance. Member states facing a recommendation in the event of significant deviations from medium-term budgetary objectives,[28] sanctions in relation to the

[25] Article 12, Regulation (EU) No 1173/2011
[26] Article 12, Regulation (EU) No 1173/2011
[27] Article 12, Regulation (EU) No 1173/2011
[28] Article 2(a-b), (EU) Regulation 1175/2011

preventive or corrective arm of the Stability and Growth Pact,[29] disciplinary measures under the excessive deficit procedure[30] or the macroeconomic imbalance procedure,[31] and enhanced monitoring of national budgetary plans [32] and macroeconomic adjustment programmes can all be invited to appear before the Economic Dialogue.[33]

These constraints have proved even tighter in practice than they are in design. This is due to the European Commission's preference for using the preventive rather than the corrective arm of the Macroeconomic Imbalance Procedure. Under Regulation (EU) 1176/2011, the Commission is required to conduct an in-depth review for all member states facing excessive imbalances or the risk thereof, and it did so on 74 occasions between 2012 and 2016. Where it decides that a member state failed to take corrective action to correct an excessive imbalance, the Council can decide, on the basis of a recommendation from the Commission, that the member state is non-compliant, a procedural step that paves the way for the levying of financial penalties and fines against the member state in question. Between 2012 and 2016, the Council found no member state to be non-compliant. As a result, the corrective arm of the Macroeconomic Imbalance Procedure remained dormant. An unintended consequence of this is that the Economic Dialogue was not in a position to invite member states for the express reason of discussing the Macroeconomic Imbalance Procedure.

ECON showed itself willing to go beyond the legislation underpinning the Economic Dialogue by inviting member states for an informal exchange of views. Such invitations were used sparingly, however. In the case of Portugal and Spain, an exchange of views followed Economic Dialogues linked to non-compliance with the Stability and Growth Pact. Germany, the euro's largest economy, was invited on one occasion only. Latvia and Lithuania were the only other member states to receive such an invitation. Bulgaria, the Czech Republic, Denmark, Estonia, Luxembourg, the Netherlands, Austria, Poland, Romania, Slovakia, Slovenia, Finland, Sweden and the UK were invited to neither an Economic Dialogue nor an exchange of views.

Bowler and Farrell (1995, p. 221) argue that EP committees, whatever their powers, will be effective only if 'members take such committee work seriously' (Bowler and Farrell 1995, p. 221). Drawing on the literature on US congressional committees, these authors suggest that MEP's involvement in and commitment to EP committees reflect collective, individual, and party interests. Members have a collective interest in creating committees so as to pool expertise and information in specific areas in order to enhance executive oversight. Individual interests concern the extent to which committee membership serves the concerns of key constituents and maximizes the influence and visibility of members within the EP. Party interests concern the desire of EP party groups to ensure that they are represented in key policy committees and have an opportunity to lead committees. Seen in these terms, MEPs have a collective interest in the work of the Economic Dialogue, which allows a subset of members to track a substantively and procedurally complex area of EU policy. Political groups also have a strong incentive to ensure that their members are present when a high profile dossier such as EU economic surveillance is discussed. That said, individual interests are probably weaker in the case of the Economic Dialogue than for other EP committees. Whereas MEPs representing constituents with

[29] Under Article 3, (EU) Regulation 1173/2011
[30] Article 2a, (EU) Regulation 1177/2011
[31] Article 14(2), (EU) Regulation 1176/2011 and Article 6, (EU) Regulation 1174/2011
[32] Article 15(2), (EU) Regulation 473/2013
[33] Article 3(8), 7(10) and 14(3), (EU) Regulation 472/2013

a strong agricultural sector have an incentive to join the Agricultural Committee (Bowler and Farrell 1995, p. 227), the Economic Dialogue deals with an issue of general concern to constituents and one that attracts limited interest from interest groups.

MEPs with close connections to trade unions and business are more likely to join the Economic and Monetary Affairs Committee (Bowler and Farrell, 1995), although their influence will be diluted to some degree by the desire of party groups to ensure a seat at the table for their members. The Monetary Dialogue provides a clear-cut opportunity to hold euro area authorities to account in a way that is typically not available at the member state level. The same is true for Economic Dialogues with the European Commission and Eurogroup, although these officeholders lack policy-making instruments that are on a par with those wielded by the ECB.

Participation in the Economic Dialogue conforms to these expectations, especially in relation to member state dialogues, with MEPs showing more interest in questioning ministers from their own member state. The Economic Dialogue with Croatia in March 2017 saw only eight speakers (apart from the chair), and two of those were from Croatia. MEPs who were willing to interrogate ministers from across the EU are scarce. Pervenche Berès (a former ECON chair) is a noticeable exception in this regard. Those MEPs who do speak, as Sergio De la Parra (2016) observes, too often make long and unwieldy points that leave limited time for meaningful discussion with invitees.

Reforming the Economic and Monetary Dialogues

The Economic and Monetary Dialogues do not need to be strengthened, it could be argued, because the EP's oversight of the ECB is working well and economic policy in the EU – and euro area – is decentralized. While it makes sense to hold an EU institution with a centralized policy instrument, such as the ECB, to account, neither the Commission, the ECOFIN Council, nor the European Council possess similar powers. Member state governments, meanwhile, are accountable to their own electorates in accordance with national constitutional traditions. While we see merits in this argument in relation to EU economic policy, we take a different view in relation to euro area governance. Economic policies are no less important for EMU because they are decentralized. The euro crisis plainly illustrated the potential for cross-border economic spillovers from large and small member states alike. The diffusion of executive power across multiple institutions and levels of government, likewise, makes EP oversight all the more essential (Bovens and Curtin, 2016).

Responsibility for the Monetary and Economic Dialogues should be delegated to a new ECON euro area oversight subcommittee (EAOS). This division would help to separate ECON's legislative and non-legislative functions from its oversight responsibilities in relation to the EU. The EAOS would require a dedicated staff with expertise in economics and a standing committee of external experts drawn from academia and think tanks to advise on the preparation of the Monetary and Economic Dialogues. Membership of the subcommittee would be drawn from the senior ranks of the ECON Committee with the party groupings agreeing to put forward members with high-level experience and expertise in economic and monetary affairs. Closer cooperation between subcommittee members would be required to ensure that the EAOS focuses on key policy issues. The duration of Economic Dialogues will vary according to the subject matter, but they should be arranged so as to allow for a significant amount of speaking time for subcommittee members and answers from invitees. This is not always possible at present, with the Economic Dialogue with Croatia in March 2017 lasting just 45 minutes.

As things stand, the trigger for Economic Dialogues is too constraining. Rather than waiting for member states to face disciplinary measures under the Macroeconomic Imbalance Procedure (MIP), all member states that are at risk of non-compliance should be routinely invited for either an Economic Dialogue or an exchange of views. The current frequency of dialogues with the Commission seems appropriate but there is a case for the Eurogroup President to attend at least four times per year at pre-determined intervals. We would also argue that the European Council President should attend the EAOS twice per year.

To ensure the transparency of the EAOS, full transcripts of the Economic and Monetary Dialogues should be published, encompassing preparatory briefings form EP officials and external experts, the opening statements from invitees and the subsequent question and answer session. Members should be allowed to put written questions to the Eurogroup President rather than the Commission alone and an annual report of the subcommittee's activities should be published on its website.

The proposed committee would not of course, come without costs, challenges and limitations. The distinction between euro area and non-euro area members is a valid one in relation to monetary policy but it is more blurred in relation to economic governance. The Stability and Growth Pact, for example, has a special importance for the euro area but it also applies to other EU member states. For this reason, there is a danger that the EAOS would duplicate discussions happening elsewhere in the EP. Excluding non-euro area MEPs would also be contentious and very much at odds with current practices inside the EP. Finally, the term subcommittee denotes standing as well as specialization. There is a risk that a subcommittee would carry less weight than an EP committee and so struggle to achieve the level of oversight it desired. Indeed, ECON established a sub-committee on monetary affairs in 1992 and it was this forum that hosted the first meetings of the Monetary Dialogue before the EP decided in 1999 to 'upgrade' such discussions to full committee level.

Such points warrant careful consideration but they do not negate the EAOS's potential. Careful coordination between the EAOS and other EP committees could minimize the scope for duplication. Allowing MEPs from non-euro area members to participate in the EAOS from time to time if they so wish could also help to address concerns over the exclusivity of this body as well as mirroring practices in the Euro Summit.[34] A subcommittee need not carry less weight, meanwhile, if its members, as suggested above, are drawn from ECON's most experienced members.

A subcommittee would also be preferable to the creation of a euro area parliament, an idea that has been interrogated by scholars (see Maurer, 2013) and politicians, including François Hollande, Jacques Delors (Chazan, 2015) and Emmanuel Macron (2017a). Whereas a subcommittee would deepen the EP's existing role in relation to EMU, a euro area parliament has the potential to undermine not just this role but the democratic standing of the EP more generally. At best, the EP and the euro area parliament would have rival democratic mandates. At worst, a second electoral cycle could depress turnout in EP elections yet further. For this reason, perhaps, proposals for a euro area parliament often leave some ambiguity about whether they are proposing a separate institution or, like us, new structures within the existing EP. Having proposed a euro area parliament in his presidential election

[34] Article 12(3) of the Fiscal Compact allows the heads of state or government of non-euro area members to attend the Euro Summit when certain agenda items are discussed.

manifesto, Emmanuel Macron subsequently argued that the European Parliament should be a ‘crucible’ for deeper integration in the euro area and EU (Macron, 2017b).

Conclusion

This chapter has explored the origins and early experiences of the Monetary and Economic Dialogues, forums created for enhancing democratic oversight of EMU. The Monetary Dialogue gave the ECB and the EP a mutually beneficial arrangement that increased the transparency and legitimacy of the former and enhanced the profile of the latter. While it has exceeded expectations, the quality of the discussion between the ECB and EP could be improved through more internal coordination on the part of the EP. Inspired by the EP’s Monetary Dialogue with the ECB, the Economic Dialogue provides MEPs with an opportunity to hold various EU and member state actors to account for their role in EU and euro area economic governance. The effectiveness of the Economic Dialogue, it was argued, has been limited in several ways. Firstly, the preparation of the Economic Dialogue has lagged behind that of the Monetary Dialogue and instances of oversight in other political systems. Secondly, the Eurogroup president has been somewhat reticent about attending the Economic Dialogue and the President of the European Council has yet to attend. Third, the Economic Dialogue has been more constrained than anticipated, with EU policy-makers’ reluctance to trigger the corrective arm of the macroeconomic imbalance procedure reducing the scope for Economic Dialogues on this all-important issue. Finally, MEPs have been somewhat reticent in their engagement with the Economic Dialogue, with parliamentarians tending to engage with dialogues that concern their own member state. To address these shortcomings, this chapter proposed the creation of an ECON Euro Area Oversight Committee with greater resources and a more expansive approach to holding those who govern the euro to account. This committee would not be a panacea but it would a useful step towards greater accountability in this crucial policy domain.

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