The Five Presidents' Report: The Dogs Bark but the Caravan Moves on?

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Abstract

While both the academic literature and public discourse criticized EU measures, taken to pull out of the economic and financial crisis that started in 2008, for including counter democratic elements, EU leaders seem to be using the crisis as leverage towards obtaining *full* financial and economic integration. Analyzing the 'Five Presidents Report' the article explores this growing dichotomy, trying to assess whether it reflects a growing, unbridgeable 'democratic deficit', or alternatively, whether the report acknowledges this critique, thus suggesting ways to decrease the 'democratic deficit'.

Key words: European Union, financial crisis, five presidents report, democracy.

Introduction

Mainly since 2010, the EU has been struggling with the ongoing implications of the global economic and financial crisis that started in 2008. Some of its 28 EU Member States were severely adversely affected. The EU created the temporary mechanism of EFSF and EFSM (European Commission, 2013, 2013a) to assist these countries, replacing it shortly thereafter with a permanent mechanism. It consists of the Treaty on Stability, Coordination and Governance, encompassing the Fiscal Stability Treaty known as the 'Fiscal Compact' (FCT) (European Union, 2012), the European Stability Mechanism Treaty (ESMT) (European Union, 2013b), and complementing EU legislation, known as the 'Six Pack' (European Union, 2011-2011e), and 'Two Pack' (European Union, 2013c-d).

The academic and public criticism, contending that these acts, and their enactment processes, include counter democratic elements, addressed both the temporary and permanent mechanisms.

Some EU countries enjoyed financial assistance by these mechanisms. However, the severe situation in Cyprus and in Greece introduced particularly great challenges to the mechanism devised by the EU, raising the awareness to the full

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** **This work was supported by Masaryk University, Brno, the Czech Republic under the Distinguished Theodor Herzl Chair Grant.**

The author wishes to thank the Constitutional Law Department at the faculty of law, Masaryk University, Brno, the Czech Republic for the cooperation and academic collaboration on this project. Special thanks to Dr. David Kosař, head of the department, to Dr. Jaroslav Benak, member of the department, and to Dr. Jan Grinc from Charles University in Prague, for their enriching comments and contributions to this article.

possible implications of the mechanism by necessitating EU decision makers to take highly controversial measures that invoked strong public protests, in assisted as in assisting countries. The global public discourse invoked consequently, directed a spotlight at main dilemmas, such as the due relationship between national and supranational sovereignty and the cost of economic and financial integration. At the same time, it reflected the ambivalent approach of many EU governments, and citizens, to the notion of economic and financial integration. Some EU Member States, which considered joining the European Monetary Union (EMU), suspended their decision. Concerns regarding the future of the EMU were expressed. (Rubini, 2010).

In this atmosphere, the Presidents of some major EU institutions seem to swim against the tide, perceiving this crisis as leverage for completing the EU's economic and financial integration process. This intention is admitted, and strongly advocated for, in a report published in June 2015. Titled: 'Completing Europe's Economic and Monetary Union', it is known as the 'Five Presidents Report'.

Analyzing this report, this article tries to assess whether it intensifies the 'democratic deficit', or rather suggests ways to overcome this 'deficit'. First, it introduces the main arguments with regard to the counter democratic nature of the current EU/EMU mechanism to pull out of the financial and economic crisis. Then, it shortly describes the vision of the Five Presidents Report. Analyzing the explicit and implicit references to the democratic deficit argument in this report, it then compares the main current deficiencies with relevant references in the report, assessing to what extent the vision proposed by this report, and its reasoning, address the main arguments with regard to the counter democratic nature of the current mechanism to pull out of the financial and economic crisis. Conclusion follows.

The 'democratic deficit'

The 'democratic deficit' is a long standing criticism, describing a general feeling of a constantly growing gap between EU citizens and EU decision makers, experienced by a large portion of EU population. This feeling has been intriguing an ongoing public discourse, referring to the general structure and functioning of EU institutions, and to different issues on the EU agenda. (E.g. Hix & Føllesdal, 2006; Moravcsik, 2008). In a nutshell, the 'democratic deficit' seems to refer to increase in executive power (i.e., EU institutions, particularly EU Commission) and decrease in national parliamentary control; relative weakness of the European Parliament, despite gradual increase of its powers by successive reforms of EU Treaties; the fact that EU Parliament's Members and EU Commissioners are not elected due to their personalities and parties at the European level, or their opinions about the EU policy agenda; the feeling that the EU agenda is too distant from the voters; and that European integration produces 'policy drift' from voters' ideal policy preferences, as policy decisions are taken in an arena where national parliaments, courts, and interest groups can hardly constrain them.

More than twenty years ago, Grimm (1995) warned that the EU's supranational decision making process would become increasingly independent of nationally-organized opinion and will-formation processes. It seems that this forecast gradually comes true.

Recent examples for the growing power and independence of EU institutions are common: Grimm (2015) suggests that the CJEU has constitutionalized even EU Treaties' provisions that would be considered ordinary law in states. He argues that due to this overconstitutionalism, political decisions of high salience are not only withdrawn from the democratically legitimized institutions, but also immunized against political correction. Scharpf (2010, pp. 321-322) argues that monetary policies of the European Central Bank (ECB) are completely immunized against political intervention, and that the Commission and standard setting agencies acting as regulators obtain a high level of political independence.

Fabbrini (2015) contends that the evolving EU system of 'executive federalism' produces increasing imbalances in the relationship between the Member States, which were reflected in the Euro crisis, and might only be solved by further revision of EU treaties.

Grimm (1995) and Weiler (1995) suggested that one of the reasons for the growing sense of 'democratic deficit' is the fact that EU lacks the common public sphere and demos characteristic of national democracies, i.e. a sense of community derived from a common history or common destiny, and of common identity. Weiler (1995) suggested that a *value* driven community may still create a demos. Grimm argued that due to the lack of a European public, even if a European constitution had been established, it would have possessed no legitimacy and would born with it the EU's tendencies towards an autonomous existence without roots in the people's life.

On the other hand, Nicolaides (2013) suggested that the EU has a plurality of demoi, that can effectively control the government and exercise popular sovereignty governing together but not as one, concentrating mainly on shaping norms on transnational non-domination and transnational mutual recognition (what the EU still seeks to escape). Scharpf (1997, p. 20) settled for even a lower degree of sharing: 'just as playing together can create teams, living under a common government, and participating in common political processes, can create political identities.' The financial crisis seems to have challenged even this low standard, maybe because as Scharpf (2010, p. 322) admitted, the lack of Europe-wide media of communication and political debates, Europe-wide political parties, Europe-wide party competition focused on highly salient European policy choices, and politically accountable European government that must anticipate and respond to the egalitarian control of Europe-wide election returns undermine the development of EU citizens' common solidarity and a stronger attachment to the European polity than to their own nation state.

Certain scholars doubt the 'democratic deficit' altogether, suggesting that in a supranational regime, a polity of its own kind such as the EU, democracy is simply obtained by different means than in the national, majoritarian model. (E.g. Majone, 1998; Moravcsik, 2002).

Doubting the assumption underlying this theory, Mair, (2005, 2013, 2014) thinks that the EU is not a unique phenomenon, but rather a mutant that was evolved by states' politicians, based on their notions of state governance. He believes that the 'democratic deficit' in the EU, where the exercise of popular control and electoral accountability proves very difficult, is only a symptom, reflecting the general failure of the party system, and a process of depoliticization, taking place in domestic politics of Western countries in general.

Interestingly, following the financial crisis even Moravcsik (2012) and Majone (2012) somewhat withdrew their former positions, adopting a more conservative approach.

Scharpf (1997, pp. 23, 29) established the link between democratic legitimacy and economic issues, contending that while the process of European integration imposes growing challenges on the economies of EU Member States, it drastically reduces the effectiveness of democratic self-determination at the national level, while at the higher, European level where action might be effective, democratic legitimacy is weaker or non-existent. He believes that this process begun after the first two decades of Community's existence, once integration through law commenced. (2010, p. 381). Scharpf (1997, p. 28) noted that such constraints produced by EU's economic integration 'limit the freedom of political choices in ways which are neither normatively beyond challenge nor empirically inevitable.' Recognizing the duality of values to which all players in the EU are now committed – economic integration at EU level on the one hand, and national economic interests which may not correlate to such harmonization on the other hand – Scharpf stresses the 'need to defend and protect the national regimes of social market economies against the legal compulsions of negative integration.' (2010, p. 382). These observations seem to have gained a new context in light of the financial crisis dynamics, particularly due to the Greek and Cypriot cases.

The 'democratic deficit' in the financial crisis context

The severe financial crisis introduced unique challenges to EU decision makers, forcing them to take quick action to prevent escalation. This situation did not allow for a long, democratic discourse. (Juncker, 2015, p. 17 para. 2). Many of the decisions thus taken implied far reaching consequences for their subjects. The frustration of these subjects encouraged the invocation of the 'democratic deficit' criticism in this context.

In the context of the financial and economic crisis, the 'democratic deficit' criticism encompasses an economic and a legal dimension. The substantial, *economic* dimension refers to the right to affect the definition of the crisis and the implied manners to pull out of it. The *legal* dimension refers to the legal means ensuring due public involvement in the decision making process, to promote a desired agenda. The *legal* dimension is thus instrumental to the *economic* (and *political*) dimension of determining a desired agenda.

The economic dimension: identity of decision makers dictates the economic definition of crisis and recovery measures?

Certain commentators argue that in essence, since the crisis begun the strong countries in the EMU (particularly Germany) dictate decisions determining the definition of the crisis, its causes, and its treatment, while the weaker countries have no choice but to accept these decisions. (e.g., Schmidt, 2012). If this assessment is true, it has far reaching implications: those who dominate the decision-making process determine the extent of holding strong countries like Germany, at least partly, accountable to the crisis, consequently requiring them to adjust their markets to the new reality. They further determine to what extent economically weaker countries can democratically impose these requirements on strong countries, despite the financial assistance on which they depend. While defining the crisis as emanating from banking and intra-Eurozone imbalances would have implied adjustments in *all* EU countries (including the strong ones) to close gaps in fields such as prices and lending policies (Krugmann, 2012), defining it as a debt crisis (the definition effectively opted for) implied budgetary austerity, wage compression and a drive for exports mainly in severely affected countries. Schmidt (2015) argues that these policies, dictated by the strong countries, exacerbated long standing problems with regard to EU's democratic legitimacy and solidarity, turning the financial crisis into a political crisis. In that sense, demoi-cracy (Nicolaides, 2013) does not seem to operate very well.

The legal dimension: the legal deficiencies of the decision making process

The deficiencies suffered by the legal system of the EU (and EMU) may effectively undermine the access of EU citizens and governments to the decision making processes that determine the sources of the crisis and its solution. The 'democratic deficit' criticism specified some such deficiencies, regarding both the functioning of EU institutions during the decision making process towards the establishment of the mechanisms to pull out of the crisis, and the decision making process provided for by that mechanism.

Critique on the Functioning of EU Institutions

The decision making process towards the establishment of the new mechanisms to pull out of the financial crisis was criticized for lack of *national Parliaments* involvement (Grathwohl, 2012) and insufficient involvement of the *European Parliament*, which is considered as best representing the will of EU *citizens*, directly electing its members. (Maduro, De Witte & Kumm, 2012).

Functioning of the *European Council* was criticized for the Franco-German (or merely German) dominance of the decision-making process, and for insufficient transparency and accountability of the Council's operations. (Majone, 2012, p. 20).

Insufficient transparency was also invoked with regard to the decision making process at the *Council of the EU*. (Moravcsik, 2002, p. 612).

Critique on the Mechanism Established

The enactment of the ESMT and the FCT as international treaties rather than as EU legislation was criticized for enabling only limited judicial review by the CJEU. However, scholars suggested that these treaties may be subjected to EU law standards, imposing constitutional constraints, by interpretation. (Maduro et al., 2012, p. 10, referring to ESMT; Baratta, 2012). Also, paradoxically, due to national constitutional laws, national parliaments are usually involved in ratification processes of international agreements more than in EU implementing legislation.

Different elements in the decision making process the ESMT provides for were criticized. For example: the full discretion accorded to the Board of Governors and to the Board of Directors, whether to invite other players to participate in their discussions. The lack of legal obligation to consult with the President of EU Parliament, and the lack of obligatory consultation procedures and transparency rules were particularly mentioned. Additionally, the lack of procedure for assessing ESM's operations was criticized.

The lack of ESM procedure to force a process of recovery on a Member that does not request for assistance, although its vulnerable financial situation might risk the other partners, was criticized. On the other hand, the broad discretion of the Board of Governors to decide how to assist a country that asks for it was criticized for lack of criteria, or set of goals limiting it, and for lack of accountability standards similar to those applying to EU agencies. Accordingly, the only way for a Member State to contest such decision is to refer the dispute to the CJEU.

The fact that a Member failing to respect its obligations in relation to paid-in shares or calls of capital, or in relation to the reimbursement of the financial assistance, may lose its voting rights, thus losing its ability to affect the decision making process which might affect it directly, was criticized (ibid, referring to Article 4(8) ESMT).

Critiques argued that the 'Six Pack' mechanism, containing five regulations and one directive, specifying rules and procedures for the application and enforcement of budgetary discipline upon the Eurozone Members, may suggest too severe sanctions (i.e. fines) that would put an extra burden on economies already in severe difficulties.

The 'Two Pack' legislation consists of two regulations, specifying rules for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Eurozone Members, including rules strengthening economic and budgetary surveillance of Eurozone Member States experiencing or threatened with serious difficulties with respect to their financial stability. It was criticized as implying far-reaching intervention in domestic budgets, escalating the 'democratic deficit' underlying the EU regime by preventing domestic decision-makers, politically accountable to their national voters, to work toward a full achievement of domestic preferences and priorities through domestic budgets. (Schmidt, 2012; Ponzano, 2012).

The new mechanism was criticized for further empowering the *EU Commission*, which is an executive authority, having very strong powers to affect both decision-making and implementation processes, by effectively scrutinizing the financial status of the Eurozone Members, and submitting proposals and recommendations for further action to decision-makers. (Baratta, 2012).

On the one hand, critiques mentioned the lack of mechanisms for restraining *the ECB* by governments, while on the other hand, the problems emanating from the necessity of ECB's President to work with nineteen governments instead of one (as is the case in the US) were mentioned. (Majone, 2012, p. 15). Critiques further argued that from its start, the ECB applies German standards, which most Member States find difficult to follow. (Moravcsik, 2012, p. 56; Sandbu, 2015, p. 2). Following the greater responsibility the ECB assumed during the crisis, commentators called for improving its transparency and accountability. (Everson & Rodrigues, 2012; Scotto, 2012).

A great part of this criticism appeared in the literature shortly after the enactment of the new mechanism. However, the Cypriot and Greek cases raised the *public* awareness to the potential implied consequences of these legal instruments, reinforcing this criticism. This fact is of particular importance, since the silent consent and cooperation of EU citizens, despite the severe effect of the crisis on their purchasing power and standard of living, enabled the progress achieved by now. (Lorca, 2012).

The Five Presidents Report's Vision

While the financial crisis, and particularly the Greek saga, encouraged the Euro skeptics to eulogize the Monetary Union, the Five Presidents Report seems to opt for the opposite direction. Contending that the current shortcomings of the mechanism emanate from the current incomplete stage of EMU's market integration, the report recommends to advance towards full economic, financial, and fiscal integration at the latest by 2025, implying that complete market integration would cure the current deficiencies of this system.

The Five Presidents Report divides this envisioned process it into three consecutive stages:

The First Stage

This stage (to be completed by June 2017) includes what the report perceives as 'immediate steps', exhausting the existing legal framework.

Regarding the establishment of an *Economic Union*, the report suggests to proceed towards four goals: the creation of a euro area system of Competitiveness Authorities; strengthened implementation of the Macroeconomic Imbalance Procedure; greater focus on employment and social performance; and stronger coordination of economic policies within a revamped European Semester.

Towards the obtainment of a *Financial Union*, the report calls for completion of the banking union; the launch of a capital market union; and reinforcement of the European Systemic Risk Board.

To proceed towards a *Fiscal Union*, the report suggests the establishment of a new advisory European Fiscal Board.

The Second Stage

In the second stage of the process, starting in July 2017, the report offers formalizing and making more binding the convergence process leading to an *Economic Union*; setting up a macroeconomic stabilization function for the euro area, as another step for a *Fiscal Union*; integrating the European Stability Mechanism (ESM) into the EU law framework; and setting up a euro area treasury, accountable at the European level. Completing this process is desired at the latest by 2025.

The Third Stage

The report mainly specifies the first and second stages. In the third stage, the EMU Member States are expected to reap the benefits of a fully operative new system, obtained in former stages.

Final Desired Outcome

If this program is fully realized, within ten years the Eurozone may become a full economic, financial and monetary union, proceeding towards a full fiscal union. After completing the fiscal union, only an establishment of a full political union will be necessary to turn it into a federation, according to Molle's Scale (Molle, 1990, ch. 2, p. 9). Needless to say, this outcome is still not agreed by all EU/EMU Member States (Schweiger & Magone, 2014).

Direct and Indirect References to the Democratic Deficit in the Report

The Five Presidents Report seems to reflect an ambivalent approach towards the 'democratic deficit' notion, moving from an apologetic and populist language aimed at common EU citizens, to a very technical language, suggesting an outcome which would naturally decrease the sovereign powers of the countries implementing it, as well as the effect of current 'democratic' national mechanisms, shifting the decision making process, to a greater extent, to the supranational level.

To grasp the full and accurate picture, analysis of the report must distinguish reasoning from essence. While the former section introduced the vision and purpose of the report, this part will concentrate on the manner in which it is presented and the efforts made to convince the readers of its necessity.

Starting with the introduction, the report attempts to relieve the public criticism by using a series of varied arguments, based on different tactics:

Political legitimacy

In its first paragraph, the report notes that it draws its legitimacy from a direction by the Euro summit of October 2014, to intensify economic and financial integration of the Eurozone markets. (Juncker, 2015, p. 2, para. 1). It stresses that the report is not representing a new idea, but rather forms the latest link in a chain. This idea is extended in the third paragraph, where additional sources of legitimacy are specified: the report 'Towards a Genuine Economic and Monetary Union ('Four Presidents Report' (European Union, 2012a), the Commission's 'Blueprint for a Deep and Genuine EMU' of 2012 (European Commission, 2012) and the Analytical Note 'Preparing for Next Steps on Better Economic Governance in the Euro Area'. (European Commission, 2015). Consequently, the writers jump into a conclusion that the report 'has benefited from intense discussion with Member States and civil society.' (Juncker, 2015, p. 2, para. 3).

The report follows this tactic again when suggesting the establishment of *a Euro area system of Competitiveness Authorities*: the creation, in each Eurozone Member, of a national authority in charge of tracking performance and policies in the field of competitiveness, including the ratio between wages and productivity. The report stresses that this is not a new idea, but was *already agreed by a large majority of the Member States* under the Euro Plus Pact, (ibid, p. 8, para. 1) and some Member States already apply it. Admitting, though, that this pact 'largely failed to deliver the expected results in view of its intergovernmental, non binding nature', the report suggests that binding measures should be taken now. (ibid, p. 7, para.7).

A personal opinion?

Declaring: '[t]his report reflects *the personal* deliberations and discussions of the five presidents' (ibid, p.2, para. 4, emphasis added), the report allegedly implies that it has no mandatory consequences and it is open for public discourse. Nevertheless, its pragmatic consequences prove this conclusion to be misleading.

A comprehensive approach: all relevant interests are represented

The second paragraph of the report indicates that it was prepared by the president of EU Commission, a political figure elected at EU level, not directly by EU citizens. In the Report's context, he represents the Commission, an executive, advisory institution, constantly suspected (Barata, 2012; Majone, 2012; Habermas, 2013) for being too active in the process of policy determination, using its advantage of controlling the data and enjoying a bulk of varied professional expertise, thus in many respects dictating policy to elected decision makers, while allegedly undermining the democratic process. To prevent any such criticism, the report stresses that it was written 'in close cooperation' with the president of the ECB, the president of the Euro Summit, the president of the Eurogroup, and the president of the EU Parliament.

Although not totally clean of political motivation, the Commission and the ECB are considered more 'professionally motivated', while the latter three institutions are considered more 'politically motivated'. Political tensions consist among all five authorities. Thus, for example:
- The ECB is perceived as the professional monetary authority, guardian of the Eurozone, and the Commission is considered to be the guardian of EU Treaties, in charge of the general interest of the EU (Article 17(1) TEU). These institutions may find themselves in occasional conflicts with the Member States' leaders of the Euro Summit or with the finance ministers of the Eurozone Members (the Eurogroup), who may try to water down professional decisive disciplines these institutions guard, to avoid political conflicts among the Member States. Thus, for example, in the past Commission recommendations to refer to the European Court of Justice (CJEU) Eurozone Members deviating from the stability criteria known as the Maastricht Criteria, for breaching EU Treaties, were turned down due to political compromises.
- There is a built-in tension between institutions representing only the Eurozone Member States, such as the Eurogroup and the ECB in its capacity as leader of the Eurosystem (Article 282 TFEU)), and institutions representing the interests of all EU Members, such as the Commission, the Euro Summit and the Parliament.

- Tension may exist between the EU Summit and the Eurogroup, acting upon its instructions, on the one hand, considered to represent the interest of *EU Member States*, and the EU Parliament, considered as the *direct* representative of *EU citizens* (Article 10(2) TEU).
- Yet another field of constant tension exists between assisting and assisted Members of the EU.

Additionally, although all EU institutions consist of representatives of EU Member States, they are often blamed for preferring EU interests over the interests of particular Member States. For some, this approach is explicitly reinforced by EU Treaties (e.g. members of the Commission – Article 245 TFEU).

All these fields of tension were underlying, to a certain extent, the decision making process towards handling the Euro crisis. Thus, it was important that the Five Presidents Report would allegedly reflect broad agreement of all the relevant institutions, particularly of the EU Parliament, which its marginal involvement in decision making processes in former rounds was highly criticized. The report's second paragraph implies such wide agreement. At the same time, it decentralizes responsibility for future optional success, but also failure. Furthermore, as the devil is in the details, conflicts of interests may be expected down the road of this report's long anticipated implementation process. Finally, even assuming that the accumulative consent by all these institutions allegedly reflects a majority agreement, scholars recognized long ago that in EU context 'the majority principle by itself cannot convey democratic legitimacy.' (Weiler, 1995, 1996, Scharpf, 1997, Nicolaides 2013, p. 356).

The potential 'carrots' of the program

The report suggests that following the program recommended may facilitate the obtainment of purposes long desired by all EU countries (particularly lacking in many countries since the beginning of the crisis): more jobs and higher growth. It stresses that the EMU is not an end to itself but rather 'a means to create a better and fairer life for all citizens, to prepare the Union for future global challenges and to enable each of its members to prosper'. (Juncker, 2015, p. 2, para. 5).

In its beginning, the report mentions issues to which it would not refer: '…completing and fully exploiting the Single Market in goods and services, digital, energy and capital markets should be part of a stronger boost towards economic union, as well as more jobs and higher growth.' (Ibid, para. 4). If the program suggested by the report fails, the fact that these goals were not independently achieved could always serve as an excuse.

The report suggests: 'this bargain only works as long as all members gain from it' (Ibid, p. 4, para. 6), stressing the inter-dependence of EMU economies (Ibid, p. 7, para. 2. See also p. 4 para. 5. Emphasis added).

The Euro: a mutual project

To invoke the readers' pride for participating in the EMU project, the report mentions the success of establishing a strong currency, being 'the second most important currency in the world.' (Ibid, p. 4, para. 1). However, this achievement is soon enough translated into the pragmatic conclusion that 'the world's second largest economy cannot be managed through rule-base cooperation alone' but 'would require Member states to accept increasingly joint decision-making on elements of their respective national budgets and economic policies.' (Ibid, p. 5, para. 3). Determining: 'the Euro is more than just a currency. It is a political and economic project,' the report then turns to EU citizens in a very plain language, trying to invoke their empathy and sense of personal responsibility. It uses a populist, vivid analogy which is uncommon in such documents: an.image of a house that belongs to all EU citizens, shared by them and sheltering them from external storms, in need for repair or completion, to the general benefit. (Ibid, para. 4).

Admitting current system's deficiencies

In order to set the stage for the program suggested, the report has to admit the disadvantages, or weaknesses, of the current system. This is done after mentioning that 'Europe is emerging from the worst financial and economic crisis in seven decades.' (Ibid, para.2).

Reiterating: '[c]ountries have to take steps, both individually and collectively, *to compensate for the national adjustment tools they give up on entry*' (ibid, para. 6. Emphasis added) the report recognizes that by joining the EMU, the Member States lost very important sovereign tools, i.e. the authority to determine national interest rates and the authority to devaluate the national currency, the absence of which was heavily felt during the crisis. The report admits that '[p]reventing unsustainable policies and absorbing shocks individually and collectively did not work well before or during the crisis', and that the institutional improvements made since the beginning of the crisis are insufficient. This part may aim at invoking some public concern about the future, to prepare the ground for the suggestion that follows: divergence across the Eurozone should be turned into convergence. (Ibid, paras. 7-10). The report contends: '[a]fter many years of crisis, governments and institutions must demonstrate to citizens and markets that the euro area will do more than just *survive*. They need to see that it will *thrive.'* (Ibid, p. 5, para. 2. Original emphasis). This sentence is interesting, particularly when written by decision makers. It somewhat contradicts the successful image presented in former paragraphs. Moreover, it seems to reflect an interesting use of failure admittance, which instead of implying accountability by 'governments and institutions', provides for further advancement in the same path, suggesting that the only reason for the failure is the incomplete process.

Some scope for national independence?

According to the report, the program necessitates progress by all Members in a similar speed. Nevertheless, the existence of certain flexibility to set national priorities would be allowed:

> 'This *does not mean* that all member states that share the single currency *are or should be alike, or that they should follow the same policies. What ultimately matters is the outcome.'* (Ibid, p. 7, paras. 2-3, emphasis added).

It explains that subject to application of the stabilizing disciplines, Members can independently exhaust their comparative advantages and attract investments, 'thereby sustaining high level of growth and employment.' (Ibid).

As it is highly improbable that the reference to 'sustaining high level of growth and employment' describes the current situation (at least for those countries in sever crisis), one may assume that the report writers believe that such achievements may result from the program suggested, another anticipated 'carrot'.

The notion of some national flexibility repeats itself with regard to the *Competitiveness Authorities.* Suggesting that they should be democratically accountable and operate independently, the report stresses that the aim of their performance is not to harmonize wage formation across borders, but rather continue to reflect national preferences and legal traditions. (Ibid, p. 8, para. 3, in frame). As the report evolves it becomes clear, though, that the information obtained by the national competitive authorities could be used to impose on their country structural reforms (ibid, paras. 4-6), namely: their independence aims at serving EU interests.

Certain national flexibility is also envisioned in the context of the *Fiscal Union*, as the report clarifies: 'Euro area Member States would continue to decide on taxation and the allocation of budgetary expenditure according to national preferences and political choices' (ibid, p. 18, para. 3), knowing that independence of the tax systems marks a red line for most of the Member States, because the money so collected enables them to promote national priorities. This may be at least one reason why the summery of this part of the report concentrates more on what the offer does *not* imply. (Ibid, p. 15). However, the report goes on, signalizing that this range of flexibility may shrink: 'as the euro area evolves towards a genuine EMU, some decisions will increasingly need to be made collectively while ensuring democratic accountability and legitimacy. A future euro area treasury could be the place for such collective decision-making.' (Ibid).

The report assumes that the establishment of a *Capital Market Union* will leave a significant margin for discretion at the national level, e.g. for the quality and composition of banks' capital, encouraging the Member States to form 'further measures, in addition to and beyond the single rule book' to address it. (Ibid, p.11, para. 10). In this case, again, flexibility is perceived as instrumental to the obtainment of EU/EMU goals.

These references seem to respond, without mentioning it, to the criticism regarding the growing dictation of policies by EU institutions. However, the limited national flexibility or independence they seem to offer is eroded as the report evolves.

Thus, for example, discussing the development of a set of common high-level standards by EU legislation at the second stage of the process, the report admits that at this stage 'sovereignty over policies of common concern would be shared and strong decision-making at euro area level would be established.' Acknowledging that recommendations with regard to the content of the standards offered requires deeper analysis, the report refers to regulation of labor markets, competitiveness, business environment, public administration and certain aspects of tax legislation (e.g. corporate tax base). (Ibid, p. 8 paras. 6-8, p. 9, paras. 1, 6). Calling for better integration of labor markets, to meet common challenges, the report also recognizes the necessity for effective social protection system, pension policy, health system etc. These issues were not (or not fully) integrated by now, due to the major differences among EU Members with regard to their priority and manner of obtainment. As the report fails to suggest an operative mechanism to bridge these differences, i.e. by operatively including these issues in the framework it depicts, mentioning them stays a lip service.

Yet another example is found where the report discusses stronger coordination of economic policies. It suggests raising the level of Member States' accountability, adding: 'discussions and recommendations concerning the euro area as a whole should take place first, ahead of country-specific discussions, so that common challenges are fully reflected in country-specific action priorities would be set at EU level.' (Ibid, p. 9, para. 5). This would shift the focus from the Members' needs to EU priorities, further eroding the ability to protect national interests in favor of EU interests.

Democracy: accountability and participation

The report refers to both dimensions of democracy: participation in decision making processes ('right') and accountability ('obligation'). However, it seems to elaborate much more on the latter.

Tying the two together, the report contends that the obtainment of the most urgent priorities: economic convergence and financial integration 'would pave the way for some degree of public risk sharing, which would at the same time have to be accompanied by *stronger democratic participation and accountability both at national and European levels*.' (Ibid, p. 5, para. 3, emphasis added).

'Enhancing democratic accountability' is stressed as one of the goals of the program's first stage (Ibid, para. 5, emphasis added).

The report envisions that in the second stage of the program the convergence process would become more binding through new, additional legal means. It stresses, that significant progress towards the new standards set and continued adherence to them would be a condition for Members to participate in a shock absorption mechanism for the euro area during this stage. This threat of excluding Members which would not fulfill the standards so determined, implicitly criticizes the current situation where financial assistance was given to Members which did not fully adhered to stability standards.

The right to participate in rules determination is mentioned in the context of preparing the transition from the first to the second stage. The report provides that a white paper will be prepared by the Commission in spring 2017, in consultation 'with the Presidents of the other EU institutions'. (Ibid, para. 8).

The final part of the report, titled 'Democratic Accountability, Legitimacy and Institutional Strengthening', addresses broad participation again. This editorial choice seems to reflect the Presidents' understanding that addressing the democratic aspects of their program is decisive to gain a positive public opinion, and thus should be revisited in the end, as in the beginning.

Acknowledging that greater integration at EU and Euro area level should go hand in hand with greater democratic accountability and legitimacy, the report admits the harsh manner of decision making in the emergency phase of the crisis (ibid, p. 4, paras. 2-3; p. 17, para. 2), reiterating that 'the quick fixes of recent years must be turned into a lasting, fair and democratically legitimate basis for the future' (ibid, para. 3), and determining that independent governmental solutions so obtained should be integrated into the EU legal framework. (Ibid, p. 18, paras. 1-2).

The report overviews the gradually growing participation of the European Parliament by engaging in 'economic dialogues' with the Council, the Commission and the Eurogroup, and the intensification of its dialogue with the national Parliaments. It recommends making more use of the right of national Parliaments enshrined in the 'Two Pack', to convene a Commissioner to present the Commission's opinion on a draft budgetary plan or its recommendations to a Member State in Excessive Deficit Procedure.

It further recommends finding more opportunities for dialogue enhancement between the EU Parliament and the other players, calling the Commission to work out arrangements to make the dialogue with national Parliaments more efficient. It provides that 'as a rule, national Parliaments should be closely involved in the adoption of National Reform and Stability Programmes.' (Ibid, p. 17, para. 7).

Attributing some responsibility to (or maybe implicitly criticizing) the EU Parliament, the report recommends that it should 'organize itself to assume its role in matters pertaining especially to the Euro area.' (Ibid, para. 8).

Overall Analysis

Form and timing

The informal, misleading form of the report, and the timing of publication, might have undermined a more serious 'democratic' discourse on its contents, before application started.

Political reasoning

The report recognizes the importance of addressing the public in a populist manner and seems to use different tactics to do so, as specified.

Real 'Democratic' elements

The report stresses that each decision would be taken in consultation with the different players, assuming that these institutions include different levels of public representation. (Munin, 2014).

It mentions the involvement of the EU Parliament at each stage, calling for its further intensification. It mentions dialogue frameworks already used, suggesting to intensify this dialogue. Since the EU Parliament consists of Eurozone and non-Eurozone Members, it is unclear how to optimally obtain such involvement: should a separate Parliament committee follow this process? To what extent non-Eurozone Member States would want, need and be able to be involved in these discussions?

The report calls for involvement of the national Parliaments in the process. It mentions a dialogue framework already used, suggesting to intensify this dialogue (Junckers, 2015, p. 17, paras. 4-7), which in the meantime seems to enable exchange of opinions, without operative decisions. If the Commission and national Parliaments would not deepen this dialogue, this references in the report may stay a lip service.

The report neither addresses specific criticism that was mentioned, e.g. with regard to transparency or accountability of different EU institutions involved, nor the criticism with regard to the ESM's decision making process. The suggested program would probably further empower the EU Commission, reinforcing the criticism invoked.

The report does not change the system of severe sanctions (including fines and the possibility to lose voting rights in the ESM process) for breaching economic stability disciplines. On the contrary: it advocates for more national accountability and stricter discipline, without possible flexibility in circumstances where a strict approach may further escalate the situation of a Member State in crisis.

The report leaves ESM integration into EU law framework and additional necessary modifications in EU Treaties to the end of the process. The 2005 failure to enact an EU Constitution and the great political effort to prevent the same result with regard to the Lisbon Treaty in 2009 reflect the dependence of EU Treaties' amendments, in many Member States, in national referenda. Being aware of the general EU public mood, which is currently not in favor of enhancing economic and financial integration, the report seems to consciously opt for exhausting existing legal instruments first. Considering the substantial change of approach it offers, the democratic implications of this choice could be questioned.

Decision makers' identity

Written by professionals, not all of German origin, representing different EU institutions with possible different agendas, the report seems to weaken the argument that Germany leads the process of defining the reasons to the crisis and the manners of pulling out of it. However, the option of converging interests should not be ruled out.

The report: a private opinion, open for public discourse?

Although introduced as a private, non-mandatory opinion open for discourse, in July 1st 2015 the EU Commission launched the first stage of the process the report, published in June 2015. (European Commission, 2015a), leaving practically no time for any public discourse. This practice reflects the Commission's understanding that this is a professional instruction by EU/EMU professional leaders that should be followed immediately, not a set of private reflections.

Moreover, in Brussels, the end of June marks the end of executive and political working term before the summer brake. If this timing was deliberately picked, it marks that the report initiators wanted to avoid any public discussion about it before the quick beginning of its implementation (uncommonly starting during that summer break).

The source of the crisis and its solution

The report clearly opts for what is perceived as the 'technocrat' vision on that question, concentrating on the deficiencies of the EU/EMU mechanism while implying for lack of (or insufficient) accountability by some Member States. Although no particular states are specified, the context points at the assisted countries. Indeed, the report seems to direct the discourse – and solution – far away from any suggested fault of assisting countries or from external economic reasons. Consequently, it does not suggest any modification, or even re-examination, of national prices and lending policies that might have contributed to the crisis. This choice seems incompatible with the assumption of fair balance of all Eurozone demoi's interests, underlying non domination and mutual recognition (Nicolaides 2013, pp. 359, 362-365), and with the report's declared underlying assumption that as precondition for its succeed, all participants must gain from the program.

However, the report suggests advancement from the short term austerity solution, which was heavily criticized, to an overall approach heading towards further integration, establishing new, improved mechanisms to support it. These new mechanisms will still (maybe to a greater extent) require strict economic, financial and budgetary discipline, but the context would change.

Some (e.g. Habermas, 2013; Krugmann, 2012; Rubini, 2010) believe that such a 'technocratic' approach would not work without seriously addressing the economic context and changing the distributive pattern of the EU and the economic relations between assisting and assisted countries. Conveniently to the economically strong countries, the report does not address this point.

Moreover, the report generally mentions that the program would be open to any EU country that might want to join the EMU. In this sense, the report seems to continue holding the 'one size fit for all' approach, which is heavily criticized by some EU Member States, particularly those which are not EMU Members. The crisis imposed different challenges for the latter, some of which (e.g. the UK), are assisting countries. (Cameron, 2013). The report totally overlooks their particular concerns.

The vision

Do EU citizens and governments share a clear vision with regard to the future of the European integration process, which they want to enhance through democratic means?

Habermas (2013, p. 4) argues that the development of the EU hitherto built on the indifference of populations as long as they 'could regard the Union as also being in their economic interests, all things considered.' While the crisis somewhat shook this passivity, making citizens of both assisting and assisted countries unsatisfied with the current arrangement, the public does not seem to have any consolidated view how to proceed.

Moreover, the crisis clearly reflected that 'eating the cake and having it whole' (namely: enjoying full national flexibility and the merits of integration at the same time) is impossible.

This mood seems to underline the Five Presidents Report, suggesting the exhaustion of every possible path of technical integration while leaving some range of maneuvering to the Member States, to preserve their sense of independence. The report shortly mentions the establishment of a Political Union in the beginning, stressing that 'all four Unions depend on each other, therefore they must develop in parallel and all euro area Member States must participate in all Unions'. (Junckers, 2015, p. 5, paras. 1-2). However, it does not elaborate on the Political Union, both because it is written by the head of the *executive* branch and because it seems to be obvious that at this point in time, there is clearly no political will among EU/EMU Member States and citizens for such an agenda. Even those heavily criticizing the 'technocracy' for pushing towards such technical agenda (Habermas, 2014, p. 6), believing that it would not last without a clear, common political vision, thus calling to establish a Political Union first (ibid, pp. 7-8), seem to recognize that it is very unlikely to occur at this point in time.

Under these circumstances, the report seems to suggest a compromise of gradual proceeding towards further integration without mentioning a federation, maybe out of a hope that as the economic and financial integration are completed, this 'extra mile' might be perceived as less threatening.

A cynical observation may suggest that the heads of EU institutions would have advocated the vision the report sets forth in any case, because intensified integration implies strengthening of the EU and its institutions and more delegation of powers from the Member States. If this is true, the link of this vision to the crisis only takes political advantage of the crisis as leverage, reinforcing EU system of 'executive federalism' and the imbalances in the relationship between the Member States it creates, as suggested by Fabbrini (2015) and moving in the opposite direction than recommended by Mair (2005). Regardless this 'conspiracy theory', in terms of *form*, EU citizens should be alerted by the allegedly informal manner in which these moves were made. In terms of *essence*, the major question that should be addressed by critiques is: can a better result – in economic and financial terms, as well as in political terms – be obtained under the current circumstances?

Conclusion

The conclusion of the Five Presidents' Report stresses that above all, it offers a clear sense of direction for Europe's EMU, which is essential to enhance confidence of the citizens and economic actors in the single currency. Indeed, this report suggests a written, transparent vision, marking the intended direction, regarding which each Member may decide its position. In this sense, it undoubtedly contributes to enhancement of the democratic discourse in the EU.

The report seems to reflect an effort of professionals to join hands with politicians, to present a comprehensive approach towards the advancement of the process, now that the emergency peak of the crisis has subsided.

At the same time, it proposes a very serious shift from the current status of the EU and EMU, on the integration scale leading to a federation. While some believe that 'a reinvigoration of national autonomy' is necessary to pull out of the crisis (Sandbu, 2015, p. 272), the report seems to imply the opposite direction. It is unclear to what extent the initiators of this program sincerely believe that it is the best way to pull out of the crisis, or rather take advantage of the crisis to promote an agenda which serves their interests. In any case, this report seems to mark another stage towards EU decision making process' independence of nationally-organized opinion and will-formation processes, as envisioned by Grimm (1995).

Furthermore, despite the efforts of the report to reflect broad political agreement and the popular wording in parts of it, its highly technical character cannot be ignored. The report does not seem to follow Scharpf's advices, 'that technical expertise, by itself, could [not] provide a sufficient basis of legitimacy for the full range of policy choices for which governments must assume responsibility' (1997, p. 29) and 'that in areas of high political salience meaningful political choices must remain available at those levels of a multi-level political system where authentic democratic participation is possible' (ibid, p. 30). Applying these advices could have somewhat ease the immense pressure imposed on the Member States to coop with and adjust to internal and external changes. (Scharpf 2010, p. 344).

Although not in a form of legislation or another mandatory act, parts of the report are already in process, or implemented. For example, towards a Financial Union, a Single Banking Supervisory mechanism was established, and a Single Resolution Mechanism was agreed. The first stage of the process envisioned by the report was launched by the EU Commission in July 1st 2015. In October 21st 2015 the EU Commission announced the decision by the College of Commissioners (political figures, elected at EU level) to adopt a package of concrete measures to begin the implementation of the program set forth by the report. (European Commission, 2015b).

As long as these developments are neither closely followed by the majority of EU citizens, nor accompanied by a broad public discourse, this process may further advance, without distraction.

Specifying the four Unions envisioned, including the political one, the report provides: '[i]n each case, progress will have to follow a sequence of…steps, but it is vital to establish and agree the full sequence today.' (Junckers, 2015, p. 5, para. 2). Does it mean that since the process already begun, the passive approach of EU citizens is interpreted as consent to establish a European federation?

In November 2015, the Prime Minister of the UK, in a letter to the President of the European Council (one of the report's advisors), demanded 'to end Britain's obligation to work toward an "ever closer union" and to introduce a new arrangement where groups of national parliaments could stop unwanted legislative proposals.' (Wall Street Journal, 2015). This letter formed basis for further, mutual negotiations, followed by a referendum scheduled for June 23rd,2016, to decide whether the UK would stay an EU Member. Although the UK is not a Eurozone Member, its approach may form an opening shot for the necessary public discourse at EU level, towards an alternative track for the EU and the EMU. Otherwise, EU citizens may wake up too late, to discover that unexhausted in due course, their allegedly limited ability to affect this process has further shrunk…

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