Structure and functioning of the Eurozone

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Introduction

The Member States of the Eurozone are confronted with a political choice with far-reaching consequences: either they commit without delay to a federal political Union, or they accept the disintegration of the Eurozone and the demise of the euro. Since currency was first created three thousand years ago, we know that minting money is a sovereign act, a symbol of political power. To our knowledge, no currency has survived without the backing of a sovereign power.

Hence the urgent need to consolidate the Eurozone, to equip it with efficient instruments and decision-making processes and also place it under the supervision of a federal Union. Only a political authority in the form of a European Federation will be able to guarantee a way out of the crisis, the future of the euro and the development of the European Union. It is also the only way for Europe to strengthen its position within the new global balance of power.

The implementation of a 17-member European Federation, which the other Member States of the Union would be free to join, will allow a global approach to be adopted instead of the uncoordinated actions undertaken to date on a case-by-case basis. It represents a reversal of current perspective in support of a European undertaking, combined with a return to commensurate measures in a spirit of solidarity. Chancellor Merkel’s stance comes to mind: although highly opposed to eurobonds being issued in the current situation, she has declared that she would contemplate the idea within the framework of a political union.

I

Structure and functioning of the Eurozone

Ironically, the Eurozone which is the federative and pioneer core, is still functioning according to the intergovernmental method, whereas the 27/28-member Union mainly uses the community method. Therefore this gap should be bridged immediately by exercising enhanced cooperation or
by adopting new methods of functioning, as demonstrated by the establishment of the Summit of the 17/18 Eurozone members. These adjustments would serve to increase the efficiency of the decision-making process, the European Parliament’s involvement and overall transparency. As a result the Eurozone, which represents a subgroup of the European Union, will benefit from the improvements written into the Lisbon Treaty, namely qualified majority, codecision on proposal from the Commission, dual presidency etc. These advances could be adapted in accordance with the Eurozone’s dimension.

1. **Eurozone Summit**

The Council of the European Union defined the structure and functioning of the Summit of the 17/18 Eurozone members with effect from January 2013. Its President sees to the preparation of and follow-up on work in close collaboration with the President of the Commission and on the basis of the preliminary work carried out by the Eurogroup.

The Summit of the Eurozone Heads of State or Government is also attended by the President of the Commission. The ECB President is invited regularly, whereas the Presidents of the Eurogroup and the European Parliament are invited on an ad hoc basis. Those Heads of State or Government representing States which ratified the Treaty on Stability, Coordination and Governance participate in the discussions on competitiveness, changes to the structure of the Eurozone and fundamental rules, as well as on specific subjects.

2. **A President of the Eurozone Summit**

As in the case of the President of the European Council, the President of the Eurozone is appointed by the members of the Summit according to simple majority. This procedure, which is modelled on the method used by the European Council, is carried out at the same time and in all probability will lead to the appointment of a single person responsible for both presidencies. In these circumstances, the President who has been assigned a twofold function will be called upon to guarantee harmonious cooperation between the Eurozone and all the Member States of the Union.

In order for the President of the Eurozone to be credited with greater democratic legitimacy, he should preferably be appointed by the Summit after the latter has consulted with the Presidents of the Commission and the ECB and further to approval by the European Parliament. This

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1 Meeting of the Council of the European Union of 14th March 2013.
approval could be decided by a majority vote of those MEPs belonging to Member States of the Eurozone.

3. **Decision-making processes of the Summit**

The Summit primarily defines the main guidelines and instigates their implementation by the Eurogroup. While seeking a consensus, the Summit should be able to take decisions and adopt declarations by *qualified or reinforced majority*. This procedure would safeguard against vetoes and protracted wrangling within the pioneer group.

The groundwork would be entrusted to the President of the Summit in close collaboration with the Presidents of the Commission and the Eurogroup, and, in certain cases, with the President of the ECB.

**II**

**Organization and functioning of the Eurogroup**

1. **The President of the Eurogroup**

   He should be appointed by his peers acting on a joint proposal by the Presidents of the Eurozone Summit and of the Commission and subject to prior recommendation by the European Parliament. This prior recommendation is required due to his function as Head of the « Executive » of the Eurogroup. As such, it would be wise for the subgroup of the European Parliament to be able to exercise democratic control over the Eurogroup President. Whenever the President of the Commission is a native of a Member State of the Eurozone he could also be appointed as President of the Eurogroup.

   The consequences of this adjustment, and in particular the use of a motion of no confidence, should be examined.

2. **Structure and decision-making processes**

   Preferably, the Eurogroup would operate under the presidency of the President of the Commission assisted by the Vice-President of the Commission in charge of financial affairs. A second Vice-President should be responsible for social affairs. This troika would guarantee
greater efficiency and harmony between actions taken at both Eurozone and Union level without increasing the number of Presidents.

3. **Decision-making processes of the Eurogroup**

Decisions of the Eurogroup, just like those taken by the Union, can be divided into two distinct categories: legislative and governmental or executive decisions.

In the first case, the *legislative* process should function in the form of simplified codecision. Following the groundwork carried out by the Commission composed of 17/18 members and in consultation with the ECB, the Eurogroup President presents proposals for regulations or directives to the Ministers of Finance and the Euro MPs from Eurozone countries. Having convened as a subgroup of the European Parliament, the latter come to a decision by a majority vote. In turn, the Eurogroup’s Ministers decide by qualified majority.

In the second case which concerns decisions of a *governmental* nature, they are characterized by their degree of urgency and efficiency. These decisions, on the basis of the groundwork of the 17/18-member Commission and the recommendation of the ECB, should be taken according to *qualified majority* and implemented under the supervision of the President and the competent Vice-President of the Eurozone. Depending on the deadline, they could be submitted beforehand for assessment by Euro MPs from the Eurozone or, in certain cases, submitted for their approval. In any case, they should be drawn up in consultation with the ECB.

4. **Role of the ECB**

The ECB should be closely involved in the preparation and implementation of decisions. In the near future, the ECB’s role during the crisis and post-crisis period should be assessed. This appraisal could be used as a benchmark for an overhaul of the ECB’s authority which, in all probability, would be modelled on the broader powers of the Central Banks of Member States such as the Bank of England, or the American Federal Reserve. These institutions have resources and instruments to counter the crisis which are more substantial and which enable them to intervene in connection with public debt or through the issue of bonds and other catalysts for economic recovery. The ECB’s scope of action needs to be expanded.

5. **Urgent decisions**

The crisis has brought to light the large discrepancy between the speed with which investors make decisions and markets react, as opposed to the slowness of the European institutions to
act. Therefore it would be advisable to reflect upon the manner in which a certain number of decisions could be taken urgently by the Commission or the ECB, or rather jointly by both institutions. Instead of going through a long procedure, these decisions would subsequently be approved by the Eurogroup members within the Council and the Parliament.

6. Appeal to the Court of Justice

In case of dispute, the Court of Justice would be empowered to rule in the first instance through chambers which could be made up for the most part of judges from the Eurogroup. Final decrees could also be adjusted in the same way on an ad hoc basis. However, these adjustments do not seem to be indispensable since the Court essentially adopts a community view. As for the Commission, which has endeavoured to put forward its community perspective adapted to the Eurozone right from the very beginning of the crisis, it would be more efficient if composed of 17/18 members.

III

Concluding remarks with a view towards the future

First of all, the community method, which with some exceptions is the rule according to the Lisbon Treaty, must urgently be applied within the Eurozone. The Eurogroup, spearhead of the European Union, has a duty not to lag behind the Lisbon Treaty.

By implementing the community method, the Eurozone will equip itself with a more efficient, rapid, and balanced decision-making process. Indeed with the intergovernmental approach, right from the start decisions are subjected to the domination of the larger Member States, and in particular of Germany in agreement with France. This is the scenario which marked the reactions to the crisis. The new presidency and a more active participation of the 17/18-member Commission in policymaking will ensure a better balance and more honest choices, as will the use of qualified majority in the decision-making process.

Instruments such as the ESM and other intergovernmental agreements are forming around this federative core. Under the influence of the community structure and functioning, and of the regained confidence and sense of solidarity, these mechanisms and agreements could be organised under the community aegis. Once this pole has been reinforced, it will be easier to adopt decisions
to establish a Eurozone budget (3% of GDP), an economic recovery Fund and a banking and fiscal union, not forgetting the social dimension.

As from now, the manner in which the structures and functioning of the Eurozone evolve should fit into one or several political proposals. These proposals drawn up by the Commission and by various European movements and task forces are intended to be the subject of the electoral campaign during the next European elections in June 2014. At least this is what has been promised by the President of the European Commission who intends to present a proposal for a Federation of European States.