

## **Descent from banking union to political chaos**

**Karel Lannoo**

**24 January 2014**

**W**ith the European Parliament elections just four months away, it is hard to see why any European would bother to go to the polls, except perhaps to cast a protest vote. Anti-Europe sentiment is now on the offensive in many countries, as exemplified by the Le Pen-Wilders-Farage alliance, while it is hard to find a compelling reason to vote in favour of any candidate. The outcome of this disaffection could be disastrous for Europe, particularly in light of the Parliament's active campaign to play a greater role in the nomination of the next Commission President and College. To motivate EU citizens to vote in a constructive spirit, the functioning of the EU institutions needs to be openly discussed, and proposals need to be aired for improving the decision-making process to render it more transparent and democratic. This process encompasses the proper role and functioning of the European Commission, the European Parliament and the member states in the EU Council and the interrelationships between these institutions.

Considerable progress has been made in the last few weeks towards establishing a banking union for the EU, with the political agreements reached on the single resolution mechanism and the deposit guarantee schemes directive. The EU has thus, in a relatively short period of time, achieved huge progress towards a more unified structure of banking supervision and resolution, aimed at preventing another costly bank crisis. This breakthrough, however, pales against the prospect of the expected outcome of the EP elections in May, in which anti-European parties are predicted to make strong gains. Urgent action therefore needs to be taken to mobilise Europeans to vote in a positive manner.

The EU's legislative initiative, which today is almost entirely in the hands of the European Commission, remains mired in problems. Commissioners are far too numerous at 28, and there are too many directorates general, further clogging the EU's bureaucratic machinery. The Commission College no longer functions as such, and proposals continue to emerge in areas that the EU has no business attempting to govern, providing yet more ammunition for the 'anti-Europe' forces. The number of Commissioners should therefore be reduced and the College reinstated as the principal initiator of legislation. The distribution of power between the institutions also needs to be re-calibrated to give the European Parliament a greater role in initiating legislation and also in counterbalancing the Commission's role. None of this would require a treaty change – but rather only respect of and further implementation of the existing principles in the Lisbon Treaty.

Karel Lannoo is Chief Executive Officer and Senior Research Fellow at CEPS. This commentary, which was previously published by *European Voice*, 23 January 2014, draws upon the deliberations of the CEPS High-Level Group on Institutional Reform, whose report is due out next month.

CEPS Commentaries offer concise, policy-oriented insights into topical issues in European affairs. The views expressed are attributable only to the author in a personal capacity and not to any institution with which he is associated.

Available for free downloading from the CEPS website ([www.ceps.eu](http://www.ceps.eu)) • © CEPS 2013

Despite many declarations to the contrary, the role of the European Parliament in EU legislation largely remains that of an assessor, and not an initiator. The Lisbon Treaty reinforced its powers of initiative, but over the past four years the Parliament has produced only 17 own-initiative legislative reports, compared to 585 proposals from the Commission. The EP is overburdened with Commission proposals, to which it has to give priority, leaving barely any capacity to debate and initiate legislative priorities. Moreover, the European Parliament continues to be handicapped with an incomplete co-decision capacity. In the whole domain of economic governance, where the role of the European Commission has been considerably strengthened with the 'six-pack' and 'duo-pack' initiatives, the role of the EP remains very limited.

Compared to previous legislatures, the current European Parliament has resorted to the single reading as the procedure of choice in a preponderant number of its decisions. A decade ago, second readings of EU legislation were as common as single readings, but the latter now constitute 80% of EU co-decision proposals. To agree in a single reading, the three institutions make use of the 'trilogy', a behind-the-scenes discussion, which generally takes months, to reach a compromise on Commission proposals. Whether this improves the quality of the decision-making remains an open question, but it is certainly neither transparent nor democratic.

This all comes back to the pressing debate about what kind of political union Europeans want: a more intergovernmental union, as we have today, in which national governments mainly determine Europe's course, or a more federal union, in which federal institutions exercise the competences delegated by citizens to that level? With more competences assigned to the EU level, it seems that only a reinforcement of its federal nature, as happened with banking union, can ensure long-term success. More federal competences cannot be sufficiently monitored by national governments and parliaments – that will require allocating more responsibilities to the European Parliament and reforming the European Commission to allow it to be more effective.