



Democratic Efficacy and the Varieties of Populism in Europe

Working Paper

Populist policy positions in the European Parliament

The Eurozone Crisis

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Abstract

The 2008 financial crisis and the subsequent sovereign debt crisis posed major challenges for the Member States of the European Union and resulted in a comprehensive reform of the European economic governance. This paper scrutinizes one aspect of the nexus between the Eurozone crisis and the spread of populism in Europe. It questions how the populist challenge affected the European Parliament's work in a time of crisis, examining how populist views shaped the voting behaviours of Members of the European Parliament, how populist policy positions were articulated in the debates and how these affected the economic governance reform. The most important measures of the reform consisted of the 'Six-Pack', the 'Two-pack' and the 'Fiscal compact' adopted in the 7th term of the European Parliament (2009–2014). The adoption of the selected measures required procedural mechanisms, including both legislative and non-legislative, in which the parliament held different institutional positions; all measures generated plenary debates. The paper explores these debates by identifying the most important policy questions: mainstream and populist alike. We conclude that populist discourses were comparable, their patterns in different debates were similar, and nearly the same arguments emerged in those debates. Populist positions were mainly heterodox, not constructive, and went hand-in-hand with Eurosceptic sentiments.

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1. Introduction – Objectives, concepts and methodology

As a result of the financial crisis of 2008, the European Union underwent one of the most serious economic disasters of its history. The Member States faced a complex, 'double crisis' – an economic recession in 2008–2009 and subsequently, after 2009, a sovereign debt crisis –, and the legacy of this period is still around. Economic, financial, social implications are present and many challenges persist; *inter alia*, there is an assumption that the Eurozone crisis facilitated the spread of populism, intensified its presence and importance in Europe (Pappas – Kriesi 2015; Goodwin 2015; Algan et. 2017; Lisi et a. 2019; Passari 2020). From legal-institutional perspective it is important that the crisis led to the comprehensive reform of the European economic governance.

In line with the objectives of the DEMOS research project, this paper scrutinizes one aspect of the crisis. We focus on the European Parliament (EP) and try to ascertain how the rising populism influenced the EP's involvement in the crisis management, how populist views shaped the voting behaviours of its members (MEPs), how the populist policy positions were articulated in the debates and how all this could affect the reform measures adopted concerning the economic governance. There is, however, no consensus on the role of the EP as an institutional actor in this process (see for different approaches e.g. Warren 2018; and Fromage 2018), but it is obvious that the Lisbon amendments of the funding treaties empowered the EP significantly in several areas of economic policy, therefore the EP had really strong capacity to shape the measures, which were adopted for mitigating the crisis and stabilizing the Eurozone. Therefore, it is a valid objective to look into this process and see how the populist challenge affected the EP's work in the time of crisis.

The reaction of the Member States and the EU to the crisis encompassed several set of measures (Broin 2012), in this discussion we focus on the three major packages: the 'Six-Pack', the 'Two-pack' and the 'Fiscal compact', which were evidently the most important components of the economic governance reform (Otjes – van Der Veer 2016; Warren 2018; Fromage 2018). Major parts of the measures were adopted in legislative procedures, while some elements of the 'Six-pack' required non-legislative procedure, and the 'Fiscal compact' was an agreement concluded by the Member States outside the scope of the founding treaties. Therefore, the institutional position of the EP was different depending on the competence and form of the legislative procedure, but all measures generated plenary debates, in which we could assess the populist and mainstream policy positions. This approach also determined the time period we have focused on. Our analysis covers the 7th term of the EP (2009–2014), because the main response of the EU to the crises and the reform measures on the economic governance were taken in this period.

We relied upon the key legislative debates and by purposive sampling, we tried to determine the most important political debates in each measures covered by the analysis. For this reason, our documentary analysis has been based on the minutes of the legislative plenary debates as well as the selected political debates, on the explanation of votes, and the text of documents of

the procedure (Commission's proposal submitted to the EP; the Committee reports; and the texts adopted).

As far as the conceptual questions, above all the concept and definition of populism are concerned, we applied the results of the conceptual analysis conducted in DEMOS previously. In the selected legislative and political debates, we tried to assess all policy views and positions of MEPs on the basis of the concepts laid down by Bartha, Boda and Szikra (Bartha et al. 2020). In addition to the content analysis of the positions, we also characterized the MEPs as actors based on their party affiliation. For this assessment, we used the paper prepared by Kubát and Mejstřík (Kubát – Mejstřík 2020) and the 'PopuList.org' (Rooduijn et a. 2019) in cases, where the party was not listed in Kubát – Mejstřík's paper. As a result of this approach, the policy views we have investigated can be put into the following categories: 1. populist positions/views articulated by populist actor; 2. mainstream (not populist) positions by populist actor; 3. mainstream positions by mainstream actor; and 4. populist positions taken by mainstream actor, i.e. who belongs to mainstream (not-populist) party.

This discussion starts with a short introduction into the Eurozone crisis and the role of the EP (Chapter 2), which is followed by the analyses of the three selected measures, the 'Six-pack' (Chapter 3), the 'Two-pack' (Chapter 4) and the 'Fiscal compact' (Chapters 5). Each chapter has been made up of the following three major sections: first, we selected the related debates and tried to identify the most important policy questions; then the mainstream views are examined, and finally, we scrutinized the populist views and policy positions. The discussion is followed by conclusions.

2. The Eurozone Crisis and the European Parliament

As a result of the financial meltdown of 2008, the world, including the European Union (EU) and its Member States, underwent an enormous economic shock. The crisis, often compared to the Great Depression of 1929-30 (Eichengreen – O'Rourke, 2009), exposed the weaknesses of EU financial markets, in particular the incomplete nature of Economy and Monetary Union (EMU) and the lack of EU-level surveillance mechanisms. Although the 'Eurozone crisis' was caused by a complexity of factors, its main roots were found in a balance-of-payments crisis (Lavoie 2015; Febrero 2018). It was because the Member States responded to the decreasing credibility of the banking industry by announcing rescue packages and provided immediate support for bailing-out the over-indebted banks. These transactions raised the deficits and generated extreme financial pressure on the state budgets, but some of the Eurozone Member States were not able at all to put comprehensive bail-out rescue plans in place and repay or refinance their government debts. The mostly affected country was Greece, where the external funding of the country's public debt was becoming more expensive and in Spring 2010, the creditors finally lost their confidence and raised doubts about the sustainability of Greek public finances.

This menacing moment made obvious that the state bankruptcy can only be avoided with the assistance and rescue package drawn up by the other Eurozone Member States. Later the

market distrust spread to other, larger Eurozone members jeopardizing the stability of the single currency. Therefore, the Eurozone crisis revealed the weaknesses in the EU's economic governance and led to the institutional reforms of the European Monetary Union in order to regain the confidence of the capital markets and also gain enough time for the peripheral countries to put their finances in order.

This reform consisting of a multitude of measures, was reflecting on the financial interests of the Member States and were announced by the Commission at this 'transformational moment' for the European history (Otjes – van der Veer 2016) in 2010 and in the subsequent period. There were three major responses of the European Union, which were most important in stabilization of the Euro and the economies of the Member States (Warren 2018).

The '*Six-pack*' legislative proposals introduced a reform of the Stability and Growth Pact (SGP). The SPG laid down clear rules to ensure good public finances, introducing the limits for budget deficits and public debt of 3% and 60% of GDP. However, the Eurozone crisis uncovered some shortcomings of SPG and therefore, the 'Six-pack' was intended to increase its functionality and effectiveness. The six regulations aimed at strengthening the procedures to reduce public deficits and address macroeconomic imbalances. The measures proposed in the 'Six-Pack' entered into force on 13th December 2011 (see Chapter 3 of the paper).¹

Later, the '*Two-pack*' proposal of the Commission reacted to the negative spillover effects of budgetary policies in the common currency area. The 'Two-pack' consisted of proposal of two further regulations to strengthen euro area budgetary surveillance, increase transparency on their budgetary decisions and introduce stronger coordination in the euro area. The 'Two-pack' reforms entered into force on 30th May 2013 (see Chapter 4 of the paper).²

As the measures laid down in the previous two pillars of the economic governance reform were still not fully sufficient for reinstall the stability in the Eurozone, the Member States, on an intergovernmental basis, took further steps in this direction. On 2nd March 2012, the EU Member States (apart from Czech Republic and the United Kingdom) signed the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), which amended the Stability and Growth Pact and introduced the requirement to have a balanced budget rule in domestic legal orders ('*Fiscal compact*', see Chapter 5 of the paper).³

¹ Fiscal policy: Regulation 1175/2011 amending Regulation 1466/97 On the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies; Regulation 1177/2011 amending Regulation 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure; Regulation 1173/2011: On the effective enforcement of budgetary surveillance in the euro area; Directive 2011/85/EU: On requirements for budgetary frameworks of the Member States. Macroeconomic imbalances: Regulation 1176/2011: On the prevention and correction of macroeconomic imbalances; Regulation 1174/2011: On enforcement action to correct excessive macroeconomic imbalances in the euro area.

² Regulation 473/2013 On common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area; Regulation 472/2013 On the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability.

³ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (2012), available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:42012A0302\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:42012A0302(01)).

The European Parliament played a key role in shaping the reform of economic governance. Its institutional position, however, was different depending on the competence and form of the legislative procedure. The Six-pack and Two-pack proposals required mainly co-decision or consultation procedure, but the Fiscal Compact was an intergovernmental treaty, concluded outside the scope of the founding treaties, therefore the EP could influence this measure only within political debates. However, it is important to highlight that involvement of the EP in this reform was the first time the EP acted as co-legislator with the Council on macroeconomic developments and fiscal discipline. These new powers were introduced by the Lisbon Treaty, and therefore the EP could shape the outcome of the legislative procedures as a strong and inevitable actor, the Council could not more take final decision in most of the items without the agreement of the European Parliament. In the subsequent parts of the paper, we detect and scrutinize the key policy issues and the populist views in these three main responses of the European Union to the Eurozone Crisis based on selected debates of the European Parliament.

3. Populist positions in the debates on the ‘Six-pack’ legislative proposal

3.1. The debates analysed and the key policy issues

The economic governance package consisting of six legislative proposals (‘Six-Pack’) was submitted to the EP in September 2010. The adoption of the proposals was completed in ordinary legislative procedure (four items), in consultation procedure (one item) and in non-legislative procedure (one item). Two of the six reports prepared by the EP were concerned with the excessive deficit procedure. The report prepared by rapporteur *Corien Wortmann-Kool* reviewed the legislative amendments regarding the medium-term budgetary objective, the annual convergence requirement as new principle of prudent fiscal policy-making and a new monitoring mechanism.⁴ Rapporteur *Diogo Feio*’s report focused on a new set of financial sanctions for Eurozone Member States and the procedural aspects thereof, specifically a ‘reverse voting’ mechanism.⁵ Rapporteur *Sylvie Goulard* was responsible for preparing the report on legislative amendments concerning the effective enforcement of budgetary surveillance, including measures motivating Member States that are making insufficient progress with budgetary consolidation (obligation to lodge interest-bearing and non-interest-bearing deposits).⁶ The fourth report was submitted by rapporteur *Vicky Ford* on requirements

⁴ A7-0178/2011 (29.4.2011) Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (COM(2010)0526 – C7-0300/2010 – 2010/0280(COD)). Available at <https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2011-0178+0+DOC+XML+V0//EN>.

⁵ A7-0179/2011 (2.5.2011) Report on the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (COM(2010)0522 – C7-0396/2010 – 2010/0276(CNS)). Available at <https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2011-0179+0+DOC+XML+V0//EN>

⁶ A7-0180/2011 (2.5.2011) Report on the proposal for a regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area (COM(2010)0524 – C7-0298/2010 – 2010/0278(COD)). Available at <https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2011-0180+0+DOC+XML+V0//EN>

for budgetary frameworks of the Member States.⁷ The key elements of the underlying legislative proposal were the transparency and monitoring of fiscal data, planning in view of the medium-term objectives and the transparency of general government finances. Finally, two reports took a stance towards the legislative proposals on excessive macroeconomic imbalances. The report prepared by rapporteur *Elisa Ferreira* contained the first set of measures for a regulation on the excessive imbalance procedure (EIP), which comprised a regular assessment of risks of imbalances permitting to address macroeconomic imbalances, coupled with rules allowing corrective actions.⁸ The second set was considered by the report of rapporteur *Carl Haglund*, which focused on the enforcement of measures to correct excessive macroeconomic imbalances and constituted an incentive to address macroeconomic imbalances at an early stage and to ensure appropriate corrective measures where necessary.⁹

The six reports were discussed in the plenary sitting of 22/06/2011, but the final vote was postponed to plenary of 28/09/2011, when the EP adopted the proposals. Political debates also addressed questions concerning the ‘Six-Pack’ proposal, one of the most significant was held of 14/09/2011. Therefore, the views and policy positions of the MEPs and political groups have been explored on basis of the minutes of the political debate, the plenary debate¹⁰; the explanations of votes on the postponement¹¹ as well as the explanations of the final votes.¹² In line with the analysis of these debates, the following key policy issues can be detected as most important for the discourse on the ‘Six-pack proposals.’

It was debated how the economic governance package implies the *allocation of competences* between the EU and Member States. On the one hand, the effective implementation of the instruments aimed by the proposals require the transfer of more powers to the European Union, on the other hand, however, this question has been put into the narrative of the national sovereignty. The question of *democratic legitimacy* was also contextualized with the measures proposed by the package. Stronger economic governance must reinforce the democratic

⁷ A7-0184/2011 (06.5.2011) Report on the proposal for a Council directive on requirements for budgetary frameworks of the Member States (COM(2010)0523 – C7-0397/2010 – 2010/0277(NLE))
<https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2011-0184+0+DOC+XML+V0//EN>

⁸ A7-0183/2011 (6.5.2011) Report on the proposal for a regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances (COM(2010)0527 – C7-0301/2010 – 2010/0281(COD)). Available at <https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2011-0183+0+DOC+XML+V0//EN>

⁹ A7-0182/2011 (29.4.2011) Report on the proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area (COM(2010)0525 – C7-0299/2010 – 2010/0279(COD)). Available at <https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2011-0182+0+DOC+XML+V0//EN>

¹⁰ CRE 22/06/2011 - 16 and CRE 22/06/2011 – 18. Available at: <https://www.europarl.europa.eu/sides/getDoc.do?type=PV&reference=20110622&secondRef=ITEM-018&language=EN&ring=A7-2011-0182>.

¹¹ PV 23/06/2011 - 12.8 Explanations of votes. Available at <https://www.europarl.europa.eu/sides/getDoc.do?type=CRE&reference=20110623&secondRef=ITEM-014&language=EN>.

¹² PV 28/09/2011 - 4.8 Explanations of votes. Available at <https://www.europarl.europa.eu/sides/getDoc.do?type=CRE&reference=20110928&secondRef=ITEM-005&language=EN>.

legitimacy of the decisions taken, and it was discussed how this legitimacy can be strengthened, e.g. by involvement not only the stakeholders, but also other actors, like the national parliaments or the EP itself. The question of legitimacy was related also to the discussions concerning the role of the European Commission, as it was held that a more independent role of the Commission in the decision-making as well as in the surveillance procedure needed to be accompanied with stronger accountability. Similarly, discussions were over the main approach and character of the economic governance, it was questioned whether intergovernmentalism or the *Community method* should prevail in the decision-making and implementation mechanisms. On the one hand, it was expressed a need for an improved economic governance framework, build on a more robust surveillance system at the European level of national economic policies, and the debated question was, whether these mechanisms should be carried out in the basis of the Community (Union) method, or intergovernmental mechanisms should be preferred.

The debates touched upon also the procedural and technical aspects of the economic governance. Crucial issue was the way the EU should impose *sanctions* or apply penalties over the Member States, how these sanctions could be made effective, whether sanctions shall punish only fraud or unwillingness to act on agreed recommendations without acceptable justification, or there is a need to apply more stringent approach, and also the incapacity to achieve the proposed targets should be sanctioned. It was intensively discussed, how these mechanisms should be channel into the decision making, and how to assess the so-called *reversed qualified majority voting* (RQMV) in the council. This specific approach was proposed as preventive and corrective parts of the economic governance framework. This method reduces the possible room for political bargaining in the Council and strengthens the position of the Commission, if the credibility of the system is to be ensured.

In addition to the previous key issues, other policy questions were discussed in the debates that were not inherently connected to the measures proposed by the package, but were significant for the larger context of the measures. The legal status of the new *European semester* was discussed, which is a major instrument to guarantee coherence between the Stability and Growth Pact, the Stability and Convergence Programmes, and the national programmes. The positions were divided, whether this mechanism had to be included in the legal texts, or it was enough to apply only as a code of conduct endorsed by the Council. Moreover, the *transparency* as an overarching principle was an integral part of the debates, major questions were, how the transparency could be enhanced, how the institutional actors should take into consideration this principle in the decision making, how to make public their positions and decisions at all appropriate stages of the procedure, in order to avoid to take decisions behind closed doors. Finally, it was also discussed, how the economic governance framework could help to guarantee the implementation and success of the *Europe 2020 strategy*.

3.2. Mainstream policy positions

The ‘six pack’ generated heated debates between the different political groups of the EP, including between mainstream political parties. One of the main dividing lines between the

mainstream political groups was the question of whether the ‘six pack’ alone would be sufficient to generate growth or other, related actions should be adopted at EU level to complement the austerity measures. In general, the EPP and the ALDE agreed on the need of adopting, as soon as possible, the ‘six pack’ whereas the Party of European Socialists and Democrats (S&D) and Greens had some serious reservations. The latter groups mainly criticized the EPP and the ALDE for focusing only on austerity measures and missed elements that could have generated economic growth after the economic crisis.

The members of the EPP were the most vocal proponents of the ‘six pack’. They saw the root causes of economic crisis in the failure of the Member States to comply with agreed rules, the blocking of sanctions and the lack of progress in Economic and Monetary Union (EMU). MEPs from the centre-right, therefore, supported the strengthening of the preventive and corrective measures of the Stability of Growth Pact, including the introduction of automatic sanctions in cases of non-compliance with agreed rules and the right of the Commission to intervene to protect the EU’s financial interests. They principally argued that economic and financial stability cannot be safeguarded without the threat of penalties. The introduction of preventive mechanisms aimed at rectifying financial imbalances before they developed an adverse impact on public finances: no Member State should have been allowed to deviate from agreed rules. Centre-right MEPs also called on the Member States to further advance in EMU by establishing greater coordination between economic, competition and budgetary policies. Fiscal discipline would lead, according to the EPP, a modernized economy and to structural reforms. The EPP supported the introduction of RQMV which supposed the transfer of competences from the capitals to Brussels but created deep divisions between the European Parliament and the Council. MEPs from the centre-right also supported the use of Community method – instead of an intergovernmental method – and called on the Member States to allow the Commission and the Parliament to take more responsibility in EU financial affairs, especially in the European Stability Mechanism.

The S&D agreed with the view that ‘more Europe’ was an answer to the crisis and supported the idea that the Member States needed to reduce their excess fiscal burdens. However, the package was neither sufficient nor balanced. The S&D, in particular, fundamentally disagreed with the way in which the EPP advocated the way out from the crisis: it viewed the six pack as a set of austerity measures imposed by the EU which threatened the very future of the Community by destroying solidarity and cohesion. Centre-left MEPs argued that the six pack will not help ordinary people but only those who contributed to the financial crisis. They disagreed with the mere use of sanctions if no smart taxation or other balanced approaches were not attached to the package. They rejected the neo-liberal understanding of crisis management and called for the protection of social security systems which can defend against future economic crises. The S&D put the emphasis on economic growth, investment, training and jobs which would ultimately lead to the reduction of deficits. It blamed the centre-right MEPs to abolish the goals of the Europe 2020 strategy and criticized them for refusing the introduction of financial transaction tax.

The ALDE largely agreed with the EPP concerning the tools that needed to be introduced: binding recommendations from the Commission, automatic sanctions against the Member States that cannot be obstructed by the Council and the use of reversed qualified majority voting. The leader of ALDE group, Guy Verhofstadt, also emphasized the need of a real economic convergence and economic government with an EU bond market. The liberals in the EP confessed that these new tools needed to be introduced given the recognition that the internal market and the common currency fail to result in economic convergence. Therefore, they called for a stronger and revised Stability and Growth Pact, jointly agreed rules and policies as well as a more reliable surveillance framework over national economic policies. In order to ensure financial stability, the liberals sought to mandate the Commission with the right to intervene without prejudice. At the same time, the ALDE group made it clear that it can support Greece only if the southern country further cuts its expenditure and reforms its economy.

Greens in the EP principally agreed with the idea of further strengthening economic governance in the EU. However, they refused to accept a package which was built on austerity measures on the basis that it would not be an effective crisis management. Yet the Greens supported the introduction of sanctions and were willing to vote in favour two reports (out of six). The main reason why they did not fully supported the six pack is the lack of social equality from economic governance. Greens also recommended to EU institutions to impose taxes on money which escaped from Greece.

3.3. Populist policy positions

Populist parties heavily criticized the ‘six pack’: in general, they argued that the EU (and/or the Commission) simply does not have sufficient democratic legitimacy to carry out an economic policy that sets out binding rules for the Member States. It is striking, however, that populist parties did not submit any alternative policy proposals other than “reclaiming” sovereignty in economic policy. Whereas the debate on the ‘six pack’ revolved around 8-10 number of issues [see chapter 3.1, e.g. role of the Commission, RQMV, penalties/sanctions, etc.], populist parties merely opposed the whole idea of EU economic governance on the basis of lack of democratic legitimacy. They simply failed to propose alternative solutions, such as different voting systems, new rules for the Eurozone members, etc. Instead, populist parties portrayed national governments as sources of legitimacy that can tackle issues of economic and monetary policies. It is also interesting to observe that even if populist parties propose alternatives, their answers remain heterodox. The only commonality in their responses was that they, in general, often refer to the will of people and the alleged lack of support of EU citizens with regard to EU measures.

One of the recurring arguments made by populist MEPs is the lack of democratic legitimacy in the crisis management. This argument can be divided into two parts. On the one hand, populist MEPs generally argued that the ‘six pack’ was voted without asking the people about their opinions. They portrayed these measures which were imposed by the EU to the Member States. In other words, they refused to accept measures adopted on the basis of a ‘top-down’ approach

in which EU institutions decide themselves about the actions to tackle the economic crisis. Instead, they favoured solutions directly endorsed by the people. For example, Barry Madlener (Party for Freedom, The Netherlands) declared in the plenary that “[t]he people have been forgotten. No one wants this, and no one was asked whether or not they wanted to end up in this situation [...] The people do not want this, and this single currency must be dissolved at the first possible opportunity”.¹³ Or, Trevor Colman (UK Independence Party, the United Kingdom), who came from a country which had an opt-out from the Eurozone, similarly argued that “[t]his arrogant indifference, together with growing disenchantment by the people of Europe, is a dangerous brew and is leading to public disorder. More will occur”.¹⁴ Similarly, Philip Claeys (Flemish Interest, Belgium) argued that “a kind of super-state government, with European taxes and Eurobonds [does not have] democratic support”.

While the lack of democratic legitimacy is often linked to the ‘opinions of people’ for populist MEPs, other used the same argument more from an institutional perspective. In particular, they portrayed the increased role of the Commission in crisis management as something which goes against the very principle of democracy. The populist MEPs emphasized that the Commission, per se, is not directly elected by the people and, therefore, it should not have been mandated with crisis management, let alone with sanctioning power. Moreover, the Commission was often portrayed as a dictatorial institution alongside with the European Central Bank and the IMF. Nigel Farage (UK Independence Party, UK), in his plenary speech, argued in the following way: “What is European economic governance? I will tell you what it is: it is a plane landing in Athens airport out of which get an official from the Commission, an official from the European Central Bank and an official from the appalling IMF, and those three people – the troika you call them – go in, they meet the Greek Government and they tell the Greek Government what they may or may not do. You have killed democracy in Greece. You have three part-time overseas dictators that now tell the Greek people what they can and cannot do.”¹⁵ Others, such as Ivo Strejček (Občanská demokratická strana, Czechia), put this argument in a milder way: “[p]eople who are not subject to public control by voters, however good intentions may be, cannot carry out surveillance over the heads of national political bodies or the highest national institutions [...] [t]he current situation in Greece is a good example of the fact that solutions to a situation dictated from outside provoke opposition from the country’s inhabitants, and are one of the causes of escalating social tension”.¹⁶

The institutional critique was extended outside of EU institutional framework. Populist MEPs not only criticized the European Commission or the European Central Bank but also other international bodies, such as credit rating agencies which played a key role during the crisis: Jürgen Klute (Die Linke, Germany) said that “[the six pack] has come about mainly as a result of the pressure exerted by the credit rating agencies on the euro states of southern Europe”. A Hungarian MEP, Ildikó Pelliczné Gáll (Fidesz, Hungary), similarly argued that “[the situation of the Member States] is not made easy if their work is downgraded at every turn in various

¹³ CRE 14/09/2011 – 7. https://www.europarl.europa.eu/doceo/document/CRE-7-2011-09-14_EN.html

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ CRE 22/06/2011 – 7. https://www.europarl.europa.eu/doceo/document/CRE-7-2011-06-22_EN.html.

ways. I am referring to the irresponsible and completely unjustified manifestations of credit rating agencies".

Others combined the argument of ‘non-elected Commission’ with historical parallels, often with emotional content, from the Soviet Union further emphasizing that the crisis management lacks any democratic legitimacy. Bruno Gollnisch (Front National, France), for example argued that: *“you are imposing on us more Europe and more Commission power: this Commission that is little more than a handful of civil servants appointed with no democratic oversight, but that has been set up as a censor and slave-driver that will have the right to impose sanctions on Member States. Your pseudo economic governance goes far beyond budgetary oversight. It is nothing short of imposing oversight on our peoples and nations. This is an application of the doctrine of limited sovereignty that was so close to the heart of that great democrat Brezhnev, except instead of tanks we have financial penalties.”*¹⁷

Another argument used by populist MEPs was that the crisis management was not carried out in view of the interest of the people but it had served other goals. In particular, populist MEPs tend to view the Economic and Monetary Union (EMU) as a political tool. For example, Derk Jan Eppink (Forum for Democracy, the Netherlands) argued that *“the euro has been a political project ignoring economic realities”*. Similarly, Gerard Batten (UK Independence Party, UKIP) said that *“[t]he euro was never an economic project. It was a political project designed to help bring about the United States of Europe”*. Similar in these arguments is the fact that they saw the euro as a political project which, contrary to the explicit economic and monetary goals, serve other interests.

The disregard of the interests of people was also reflected in the fact that populist MEPs accused the EU and certain Member States not taking care of people’s money. In particular, Frank Obermayr (Freedom Party of Austria, Austria) said that the *“[n]ew rescue packages are being put together for Greece, billions of euros of taxpayers’ money is being put at risk and plans are being drawn up for economic governance for the whole of Europe, as we have just heard [...] At the same time, one mechanism after another is being put in place to support the countries with budget deficits, once again involving taxpayers’ money.”*¹⁸ Similarly, Nikolaos Chountis (Popular Unity, Greece) said that certain companies, such as the *“German company Hochtief, which manages Athens Airport, has not paid a euro since 2001 and owes 500 EUR million in VAT”*.¹⁹ Instead, he argued, EU policies served the interests of banks and large corporations which had enjoyed the benefits of the common market for decades.

¹⁷ Ibid.

¹⁸ Explanation of votes (23/06/2011), https://www.europarl.europa.eu/doceo/document/CRE-7-2011-06-23-ITM-014_EN.html.

¹⁹ CRE 22/06/2011 – 7.

4. Populist positions in the debates on the ‘Two-pack’ legislative proposal

4.1. Key policy issues in the debate

The European Commission proposed in late 2011 the adoption of two additional regulations – called the Two-Pack – in order to complement and strengthen the Six-Pack. The main reason why the Commission was considering and later decided to submit new policy rules was to strengthen the economic dimension of the Economic and Monetary Union. The first EU regulation aimed to monitor more closely and propose corrections to EU Member States whose currency is the euro and which are subject to an excessive deficit procedure.²⁰ The second EU regulation aimed to strengthen the economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability and those in receipt of or exiting from financial assistance.²¹ The Two-Pack, based on Commission proposals, was bringing new monitoring requirements, such as a common budgetary timeline and rules, including macroeconomic forecasts and monitoring of Member State implementation. EU Member States were obliged to send a draft budgetary plan to the Commission and Council whereby the former had advisory role if EU Member States failed to meet their obligations under the Stability and Growth Pact.²²

In the European Parliament, both proposals were discussed first at committee levels, most notably in the Economic and Monetary Affairs and the Employment and Social Affairs, the latter being in an opinion giver position. Two rapporteurs were appointed: Elisa Ferreira from the S&D Group and Jean-Paul Gauzès from the EPP Group. The Ferreria text, while recognized the need of Commission involvement, emphasized the importance of democratic accountability and sought to limit the power of the Commission through delegated acts. It also aimed to involve national actors, such as parliaments social partners and civil society organizations. The power of the Commission to overview and manage Member State fiscal discipline was balanced with the need of creating an environment in which investments are made to stimulate economic growth and to protect education and healthcare. The Ferreira text also prescribed the need for the Member States to report which of their policy actions had a growth and jobs creating potential. Remarkably, the Ferrerira text sought to set up a European Redemption Fund for all national debt exceeding 60 percent of a country’s GDP which aimed to ease Member State debts for the immediate term. Finally, it also called for Commission actions in the field of economic growth mobilising around 1 percent of EU GDP.²³

²⁰ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area

²¹ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area

²² https://ec.europa.eu/commission/presscorner/detail/de/MEMO_11_822

²³ Report on the proposal for a regulation of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area 29-05-2012 A7-0173/2012 PE 483.469v03-00

The Gauzès Report accepted the Commission proposal for enhanced surveillance allowing it to propose macroeconomic adjustment and policies to a Member State in question. Member States in a serious risk would be under a legal obligation to submit a debt settlement plan to the Commission which were responsible for approving it. Creditors to a Member State in question would also be under obligation to declare themselves at the Commission within a limited time of period or else forfeit their claim. Remarkably, the Gauzès Report enlarged the power of the Commission to provide for greater use of the RQMV in the Council.²⁴

From an institutional perspective, one of the main questions was how the Commission will be empowered in its surveillance role and will it be limited by other institutions or actors? The compromise between the MEPs was that the Commission would be given powers to monitor Member State compliance with fiscal rules but, in cases of serious financial situation, it is the Council that must recommend corrective measures. Under the Two-Pack, EU Member States are under the obligation to publish their medium-term fiscal plans alongside with their policy priorities for growth and employment which will be assessed by the Commission. An innovation of the Two-Pack was that the European Commission was empowered to examine and give an opinion on Member State draft budgets and, if needed, may address a set of recommendation to a Member State concerned. If faced with a serious financial situation, the Commission may conclude that a Member State need to take further measures and can propose to the Council to recommend to a Member State concerned to adopt corrective measures.

The institutional perspective appeared in the EP debate also in the form of the need of involving other actors in the process of budgetary surveillance, including independent macroeconomic forecasts and independent bodies to monitor compliance with national fiscal rules. The Regulation (EU) No 473/2013 of the European Parliament and of the Council (Two-Pack Regulation) ultimately created the opportunity for these bodies to take part in the monitoring process, including the Courts of Auditors. The reason why these bodies were involved in the monitoring process is due to increased accountability and improved fiscal transparency of the Member States.

Substantially, as was the case in the Six-Pack, Socialists and Greens emphasized the need of economic growth and investment while acknowledging the requirement of cutting budget expenditure. A compromise was found between the different political groups: the Commission was not only empowered to assess budget cuts in its country reports but also prescribed to include national measures that generate growth and investments at local and national level. Furthermore, as the debate in the EP plenary showed, there was a general agreement between the different political groups that cuts in the expenditures should not harm investments in education and healthcare.

Another point of debate touched upon the question of the establishment of the European Redemption Fund. The EPP, in particular, was against the communitarisation of debts due to

²⁴ Report on the proposal for a regulation of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area

the fact that it would harm and penalise Member States that complied the most with their EU obligations in the field of economic and fiscal rules. Although ALDE supported the idea but argued that the establishment of such fund can only be a longer term objective and cannot be done in the short run. Accordingly, it was decided to postpone the establishment of a European Redemption Fund but was agreed to establish an expert group that was supposed to analyse the merits and risks of the creation of such fund and was asked to send its report to the Commission to see if the latter can propose legislation in this area.

4.2. Mainstream policy positions

The EPP sought to strengthen the economic sides of the EMU and further integrate it by fixing the banking system and the fiscal union. Remarkably, the EPP was largely satisfied with the proposals of the Commission: it agreed to establish a link between financial stability and growth, to increase the importance of national parliaments in EMU and to guarantee the independence of Member State budgetary institutions. MEPs from the centre-right political group also supported the introduction of binding numerical fiscal rules, an automatic correction mechanism and the establishment of economic partnership programmes for Member States under Excessive Deficit Procedure. The EPP Group, however, refused to accept the introduction of measures which would weaken the Stability and Growth Pact and the creation of funds for economic growth that exceed the amount of the whole EU budget. Furthermore, the centre-right refused the socialists' idea on communitarising the debts of Member States because it would penalise those with higher taxes and interest rates, and more importantly, those who did their part in accordance with their European obligations. Therefore, they did not support the introduction of Eurobonds and the European Redemption Fund but were receptive, to some degree, to compromise on these issues. From an institutional perspective, MEPs from the centre-right believed that the role of the Commission should be increased so that it can intervene if a Member State faces serious threats in its debt management.

The S&D Group principally was supportive of the Two-Pack but emphasized the need of lowering the interest rates in order to get past the debts and stressed the importance of economic growth. As was the case in the debate on the Six-Pack, the Socialists emphasized the need of making more investments at local and national level and give priority to measures and tools that generate economic growth. Socialists only accepted austerity measures if they were coupled with ideas and concrete actions that contribute to investment and growth. The S&D, in opposite of the EPP Group, however, supported the idea of Eurobonds, even if the latter would be a medium-term objective of the EU, as well as the establishment of the European Redemption Fund. They also liked the idea of increasing the capital and bonds of the European Investment Bank so that the latter could step up if serious financial threats are evidences in some Member States.

The ALDE Group, in contrast with the Six-Pack debate, agreed mainly with the Socialists on many points. In particular, they agreed on the need to establish the European Redemption Fund, the latter being used for maintaining fiscal discipline in the Member States. According to the liberals, the redemption fund could be the guarantee to protect the Eurozone and a way to

prevent EU Member states to (re-)adopt their old, national currencies. The ALDE Group found the name of the European Redemption Fund rather odd but recognized the need of reducing pressure in Member States that implement structural reforms. The idea of Eurobonds was not instantly by the liberals but they emphasized that they can only be issued after fiscal stability was created in the EU.

The Greens also agreed with most of what the reports proposed to the EP plenary while also emphasized that the social impact of different programmes should have to be assessed. They also stressed the importance of involving social partners and non-governmental organizations in the adaptation programmes. The Greens also sought to introduce more transparency into the work programme of the Commission, especially in the method of calculating the debt of each Member State and in forecasting the economic outlook. Furthermore, they also voiced their concerns for more democratic scrutiny which was needed in order to replace the Commission as a sole institution in the monitoring process and adding the Council to this process, subject to reverse qualified majority voting. The Greens emphasized that although there is consensus on the need of sustainable public finances and low debt but crisis management also requires the need of mutualise debt that would allow to have sustainable debt with acceptable interest rates. Greens also raised their voice to have more investments in European economy given that fiscal discipline alone will not lead to stabilization and long-term balance. They also drew the attention to the fact that net contributor countries do not give but lend financial assistance to certain other Member States which means that they are given interest on these loans which is beneficial for them. In other words, they argued that Member States with strict fiscal discipline do not sacrifice themselves but earn money on the process of managing the crisis.

4.3. Populist policy positions

One of the recurring topics during the plenary debate was linked to the question of democratic legitimacy. Similarly in the debates related to Six-Pack, populist MEPs believed that the Two-Pack was simply incompatible with democracy. As Jürgen Klute (Die Linke, Germany) put it, the measures in the field of economic governance “*[were] perceived by the citizens more as a rollback of democracy than as a useful tool to coordinate economic policy [...] [w]hy do we not desist from such humiliating and undemocratic chest-beating?*”. Others, such as Jean-Marie Le Pen (National Front, France) emphasized in this aspect the role of EU officials and technocrats whose role undermine Member State sovereignty: “*[o]nce the European bureaucratic, technocratic and totalitarian state has gradually – imperceptibly – become fully established, we will have lost our freedom as a people once and for all.*”

Marine Le Pen and others also stressed the lack of direct consultation of European people. He said, for example, that “*[w]e are losing our budgetary sovereignty and our freedom to choose our policies forever, with Parliament’s collusion, although the people have not been consulted*”. Andrew Henry William Brons (British National Party, UK) also argued that “*[d]emocracy means rule by the people, and not wise rule by the people. Democracies have the right to be foolish*”. Others, like Marta Andreasen (UKIP, United Kingdom) approached this question in a more emotional way and declared that: “*[b]ailing out such banks without*

investigating how and where the money has gone is an act of irresponsibility and contempt towards European citizens.”

Partly linked to the above reasoning, some of the MEPs seem to have fallen into logical fallacy and used slippery slope arguments. Their main argument was that if certain measures are adopted, they will ultimately lead to a United States of Europe or a federation. Furthermore, they also argued that there is no popular support to create a federal European Union. Sampo Terho (Finns Party, Finland), for example, argued that “[t]his way, we are building a federation one step at a time, and in this case, two steps at a time [...] For my own part, I can no longer vote in favour of even one step towards a federation before we have also asked our citizens if they want one, asked that question specifically in referendums, and received a clear answer.”

Another type of argument was also somehow linked to democratic accountability but more from a perspective of the decision-making capabilities of citizens and their inability to influence decisions which are taken without them. In other words, populists often described Two-Pack measures as something which are forced to European people and which are decided “above their heads”. Jürgen Klute (Die Linke, Germany) described this situation as follows: “the Member States are forced to accept financial assistance” as if they were unable to influence EU decisions in the Council and the European Council. Claudio Morganti (Northern League, Italy) similarly argued that “I do not believe that we can resolve this tragic situation the euro area has got itself into by putting straitjackets on Member States”. Jean-Marie Le Pen (National Front, France) also declared that “[EU] Member States will have budget cuts and structural reforms forced on them by the Brussels technocrats to redress their financial balance”.

Other populist MEPs advanced similar arguments but put emphasis on taxpayers’ money and how these people were left out from any decision-making procedure and how their money was going to be wasted. Barry Madlener (Party of Freedom, Netherlands) argued that “[t]his is EUR 100 billion of hard-earned cash taken from taxpayers including from those in the Netherlands [...] Can you explain to the Dutch and German taxpayers why Spain has been allowed to get away with years of mismanagement and why it is now being rewarded with EUR 100 billion?”. Marta Andreasen (UKIP, United Kingdom) also used this argument in a more emotional way: “[t]he people who are now suffering from severe belt-tightening will be the ones who end up paying for the wrong decisions made by private companies”.

Finally, some of the populist MEPs used (highly) emotional arguments. Marisa Matias (Left Bloc, Portugal) said that the adoption of Two-Pack “means condemning the countries to recession, unemployment and insolvency [...] given the failure of complete austerity, the Commission and the German Government propose the same policy to us, but in overdose. It is this neoliberal fanaticism that is killing the euro”. Others used an emotional argument by trying to involve how the people may feel like about the Two-Pack. Barry Madlener asked the question of “[h]ow will the Greeks, Portuguese and Irish feel now that Spain is not required to meet the same strict conditions? Can you explain to the Greeks and the Portuguese why Spain is receiving preferential treatment?”.

It is also interesting to observe that not every populist MEP argued in a populist way, in a strict sense. However, members of the Fidesz Group, seemed to use the EP plenary to promote national political objectives by reflecting more to domestic – rather than on EU – level debates. Ildikó Gáll-Pelcz (Fidesz, Hungary) argued that ratio of national debt – a topic dear to Fidesz in the early 2010s – may hold back economic growth. Similarly, Tamás Deutsch (Fidesz, Hungary) emphasized that EU Member States must insist on retaining competences in budget issues, a position long time established by the Hungarian government. He also added that the proposal to set sovereign debt ceilings in Member State constitutions is important and *“welcome the fact that several Member States, including Hungary, have already incorporated such provisions in their constitutions”*.

5. Populist positions in the debates on ‘fiscal compact’

5.1. Key policy issues in the debate

Still in 2011, when the Six-pack was negotiated, it was felt that the persisting market pressures on the most vulnerable Eurozone members needed more ambitious reforms to strengthen the fiscal stability and budgetary discipline (Creel et. a. 2012, Mortensen 2013, Kukk – Karsten 2015). The instruments provided by the Maastricht Treaty and the Stability and Growth Pact of 1997 proved, however, to be insufficient to achieve these goals and secure the resilience of the monetary union. The complete reform of the existing EU law framework would have required the amendment of the primary law (TFEU), but the member states failed to find a compromise on the treaty amendment. Instead, the Eurozone members at the European Council meeting of 9 December 2011 agreed on the draft of an intergovernmental treaty to lay down new rules over the budgetary discipline and fiscal coordination.²⁵ The text of the treaty was finalized at the European Council meeting of 30 January 2012 and concluded on 2 March 2012 as the ‘Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG).’²⁶ This new instrument is frequently called as ‘fiscal compact’, but technically, the fiscal compact was a chapter (Title III) in the Treaty. The fiscal compact requires a balanced budget rule in national legislation by keeping two key thresholds, the deficit brake and the debt brake.²⁷ The TSCG required that these rules on government deficits and debts be implemented into national law and the signatories of the treaty were obliged to establish a national body with responsibility for monitoring their implementation. TSCG conferred the competence to the Court of Justice of the European Union to impose penalty – up to a maximum of 0.1% of GDP – on member state, which failed to implement these rules. Beyond the fiscal compact, other parts of the TSCG reinforced economic policy coordination and the governance of the euro area.

²⁵ Conclusions of the European Council meeting (8–9 December 2011). https://ec.europa.eu/commission/presscorner/detail/en/DOC_11_8

²⁶ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (2012). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A42012A0302%2801%29>

²⁷ See TSCG, Article 3.

Because of the fact that TSCG was adopted as an intergovernmental treaty and not within a legislative procedure, the European Parliament had only restricted powers to influence the negotiations of the member states. Unlike the Six-pack and Two-pack proposals, Parliament's role was limited to hold political debates on the negotiations and the draft of the treaty and to adopt a non-binding resolution. The Parliament held two main debates on this issue after the respective European Council meetings. The first debate was held within the plenary session of 13 December 2011,²⁸ where the members discussed the report of the European Council president on the objectives and structure of the planned fiscal treaty.²⁹ The second major debate was held on 1 February 2012, focusing on the draft text of the TSCG, which was finalized by the member states in the preceding European Council meeting.³⁰ As a conclusion of the debate, the Parliament adopted a resolution on 2 February 2012.³¹ In line with this framework, the policy positions of the MEPs and political groups have been explored on basis of the minutes of these two political debates and the explanations of votes on the resolution. The following three set of policy issues can be highlighted as crucial for the discourse on the fiscal compact.

The first – and probably the most important issue – in the debates implied the *intergovernmental method* of the adoption. The option of an intergovernmental treaty came up as a consequence of lack of a unanimous agreement of the Member States to amend the Treaty of Lisbon. This method, however, reduced profoundly the powers of the European Parliament and it was claimed that an appropriate respond to the economic crisis can be successfully done, if also democratic legitimacy is ensured. While the EP criticized harshly the method of the adoption, it expressed also its determination to keep its proper role in the new framework, i.e. despite the intergovernmental shape of the new treaty, the EP wanted to allocate powers and competences to the Union institutions for controlling the implementation of the treaty. The second main issue, deriving partly from the method of the adoption was *the legal character of the treaty and its relation to EU law*. The MEPs wanted to make certain that the primacy of EU law is to be observed over the treaty provisions, and it was demanded that the treaty should be integrated into the Treaty of Lisbon within a reasonable period of time. The third set of issues was related to the *content of the treaty*. Most importantly, the plenary debates went into the mechanism concerning the two specific “brakes”. The “deficit brake” required that a general government deficit should be under 0.5% of GDP or the government should work towards that target within time limits specified by the EU. Moreover, the “debt brake” was also debated by the MEPs, namely the requirement that a general government debt should not exceed 60% of GDP, but supposing if it were so, the government must reduce it at the rate of one twentieth each year.

²⁸ CRE 13/12/2011 – 5. https://www.europarl.europa.eu/doceo/document/CRE-7-2011-12-13-ITM-005_EN.html

²⁹ Conclusions of the European Council meeting (8-9 December 2011).

³⁰ Resolution on the European Council of 30 January 2012. CRE 01/02/2012 - 12 1. Available at:

https://www.europarl.europa.eu/doceo/document/CRE-7-2012-02-01-ITM-012_EN.html

³¹ Ibid.

5.2. Mainstream policy positions

The *EPP group* was supportive and saw the treaty as a solid basis for sustainable medium- to long-term fiscal policies and a strong signal to the markets that European governments are serious about their new ‘stability culture’, but raised concerns over the intergovernmental method. The group emphasized the specific “brakes” as “golden rule” of the framework as well as stressed the importance of granting a role to the Court of Justice of the EU in the mechanism, and also welcomed that the excessive deficit procedure will apply in a stricter way and partly automatically. However the EPP criticized the form of the treaty as an intergovernmental instrument. The EPP supported the earlier idea to modify the funding treaties, but it was not possible without the compromise of all member states. It came into the debate, that the EPP has played a proactive role even in finding a compromise between the member states, more specifically, between 27 members states and the United Kingdom, which could not accept the revision of the Funding Treaty. The EPP proposed a clause providing guarantees for UK, but finally it was not supported by the member states. Therefore, the EPP accepted the fiscal compact as a compromise proposal and was confident that the Member States do not want to circumvent the European institutions, or diminish the executive role of the Commission nor the prerogatives of the Parliament.

However, the *S&D Group* was more critical on the proposal and did not find the fiscal compact could really bring stability to the markets. The S&D Group was concerned that the major objectives of the instruments were focusing on the interests of the market and nothing was said on the subject of a pact for growth, employment and stability in Europe based on job creation. Besides the S&D held that the most disapproving aspect of the proposal was the neglect of the position of the EP in the proposed instrument. The S&D Group demanded a leading role in working group covering the Eurozone member states and members joined the cooperation and wanted to have an equal say as the Council and Commission had in the mechanism according to the proposal. The major argument emphasized by the S&D Group was the democratic legitimacy of the new instrument, the most important policy objective of the S&D was to secure this stable institutional position for the European Parliament.

The *ALDE group* shared the concerns about the intergovernmental method of the proposal, but the liberals put the emphasis on different aspects. The ALDE group would have supported an appropriate response to the crisis, but they did not find the fiscal compact as a successful attempt and held that the proposed instrument was not enough to restore confidence in the euro. The failure of the proposal was that it addressed only one aspect of the necessary reaction, i.e. only the budgetary discipline was targeted by the fiscal compact. In the integration-friendly argumentation of the liberals, the monetary union requires also another side of the coin, the solidarity between the member states to be considered, but this aspect was completely omitted from the proposal. Not surprisingly, liberal MEPs reserved harsh criticism towards the UK government by stressing out the political importance, that UK did not support the amendment of the Funding Treaty. Moreover, the ALDE takes sides with the other political groups in critics on the weak institutional position of the Parliament. Also the liberals wanted the EP to play a leading role in institutional setting of the proposed mechanism.

In overall terms, the *Greens (Verts/ALE Group)* were the most sceptical on the proposal. In their argumentation, the fiscal compact could not give the adequate answers to the serious questions of the crisis, but at the same time, it made attempt to establish a mechanism, which ran contrary to the democracy. The green MEPs questioned even the basic idea that there is a necessity to save the Eurozone at any cost. Joining the ALDE's view, also the Greens missed the sign of European solidarity from the proposal. Furthermore, they highlighted that the proposal should have established a specific debt redemption fund and criticized that the proposal said any words neither on the banking licence for the European Financial Stability Facility, nor the possible creditor participation. As far as the method of the instrument was concerned, the Greens formulated strong criticism on this by putting emphasis on the dangers, when the governmental method is prioritized. In their view the proposal evaporates the Community method and sidelines the Union institutions, going ahead to a multi-speed Europe.

5.3. Populist policy positions

In the debates on the fiscal compact, there were perceivable typical populist discourse and the patterns of these positions presented a resemblance with the discourses detected in the debates on the Six-Pack as well as the Two-Pack proposals, and the main arguments were frequently linked to the sovereignty and the legitimacy, or democratic legitimacy argument.

The MEPs often brought up the question of *sovereignty*, such as how the member states sovereign rights were threatened by the proposed treaty. The first set of arguments linking to this concern has regarded the sovereignty as a specific fiscal or budgetary sovereignty. *Lothar Bisky* (GUE/NGL) criticised the debt-brake mechanism of the fiscal compact and fulminated against the right given to the Court to impose penalty on nonconforming member states by arguing that “...is absurd, and it is also undemocratic, as the Member States will lose their most important right: their budgetary sovereignty”.³² Moreover, the sovereignty argument was used in broader context. E.g. *Nigel Farage* (EFD) went further and linked this sovereignty argument to the ‘humiliation’ of the nation state, when refused the entire proposal on fiscal compact and argued that this plan is “...to destroy and humiliate nation states that do not live up to a Germanic view of how economies ought to be run.”³³

The *democracy* was also subject of populist discourse in the plenary debates. The democracy was referred in two major contexts. First, the democracy was used only as a vocal attribute, which helped to accentuate the likely negative effects of the fiscal compact. For instance, *lda Figueiredo's* critique (GUE/NGL) associate the democracy with the former sovereignty argument and stressed out that the proposal attempted “...to impose more austerity on the workers and the peoples by means of an outright coup, thereby weakening democracy and withdrawing the principle of sovereignty in budgetary policy from the Member States with more fragile economies, while tax havens continue to flourish”.³⁴ Moreover, the threat to democracy was emphasize by *Niki Tzavela* (EFD), as she referred to “...procedures to circumvent

³² CRE 01/02/2012 - 12 1.

³³ Ibid.

³⁴ CRE 13/12/2011 – 5.

democracy and democratic procedures ...”.³⁵ The second type of references used this argument as a claim that the democratic legitimacy behind the proposal lacks completely. Therefore, MEPs expressed that this kind of proposal required the legitimizing force of the ‘people’ or citizen. As *Lothar Bisky* admitted, “[t]he Treaty must be approved by referendum or by public consultation.”³⁶ Similarly, *Patrick Le Hyaric* (GUE/NGL) called in his speech “... for the European people to be consulted by referendum before any decision is taken.”³⁷ It can be added, that the lack of legitimacy as a concern was referred also without covering explicitly the ‘democracy’. When *Nigel Farage* called the MEPs as “*unelected nonentities*”,³⁸ raised a similar concern to the problem of the ‘lack of democratic legitimacy’, but his context was much more abstract. Moreover, the idea of the lack of legitimacy was frequently linked to the ‘taxpayers’ money’. *Marine Le Pen* (NI/non-attached) argued that the proposal neglected the interest of the taxpayers, as the fiscal compact gave priority “... to the banking and financial sector, to the detriment of the States and taxpayers.”³⁹ In a similar way, *Jan Zahradil* (ECR) urged the member states, that they will pay “...a whole lot of money and your taxpayers will probably thank you very much for that”.⁴⁰

As far as the communication style of the debates is concerned, the characteristics of the populist discourses (*tabloid, highly emotional argumentation, blaming the opposition etc.*) could be detected, but this style did not come up frequently. Among the few examples, the statement of *Derk Jan Eppink* (ECR) was overheated emotionally, when claimed that the socialist *Martin Schulz* was relied upon the ‘1930s demagogy’ and also had a strong view on the supporters of the proposal by admitting that “... the shouting that you can hear here now is an expression of the frustration of the rottweilers of European federalism.”⁴¹ But one of the statement made by *Nigel Farage* was also emotionally overheated, when he compered – in a hypothetical context – a commissioner to the ‘*Gauleiter*’, which was unmistakably a reference to the position of the regional leaders of the Nazi Party.⁴²

6. Conclusions

The main objective of this paper was to scrutinize how the populist positions were articulated in the debates over the crisis management and economic governance in the 7th term of the European Parliament. We have investigated the adoption of three selected instruments: the Six-Pack, the Two-pack legislations, and an intergovernmental instrument, the fiscal compact, and

³⁵ CRE 01/02/2012 - 12 1.

³⁶ Ibid.

³⁷ Ibid.

³⁸ „Mr President, I have often asked myself the question: why would a successful country that has enjoyed a thousand years of independence give up its right of self-government to the unelected nonentities that we see sitting before us this morning?” See: CRE 13/12/2011 – 5.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² „I must say I thought the weekend’s proposals from the German finance ministry suggesting that a European Commissioner and his staff occupy a big building in Athens and take over the running of the country – a *Gauleiter*, some might say – must be joke.” While responding to a blue-card question in this issue, Mr Farage pointed out that he added intentionally to the equivocal word that “some might say”, referring to a UK newspaper, which used this reference first time. See CRE 01/02/2012 - 12 1.

looked into the populist policy agenda and discourses. The analysis has shown that the populist discourses were well comparable, their patterns in the different debates were more or less similar, and nearly the same main arguments came up in all debates.

The populist discourse frequently relied upon the argument of *sovereignty* by portraying the actual proposal as a threat to the sovereign rights of member states. The sovereignty was used in a general, broader manner by contending that the EU institutions were working to undermine the Member State sovereignty, or, going even further, it was claimed that the EU proposal would definitely destroy the nation state. In these cases, the sovereignty played rather a rhetorical role and did not reflect real policy issues. Moreover, the sovereignty was also linked to more concrete contexts, when this argument was regarded as a specific economic, fiscal or budgetary sovereignty.

The question of *democratic legitimacy* was also subject of populist discourse in the plenary debates and was used in three major contexts. First, the lack of democratic legitimacy – or more simply, the lack of democracy – was used as a rhetorical tool, which could overstress the MEP's arguments on the likely 'disastrous' implications of the proposal in question. The second type of reference was used as a claim that the democratic legitimacy behind the proposal is lacking completely. This concern was frequently linked to the question of the "peoples' will", "opinion of the people", or even more concretely, the 'taxpayers' and it was argued that the proposal was voted without asking the people's opinions, or emphasized that the targeted measure was something forced to European citizens and which was decided allegorically "above their heads". The third context of the democracy argument was an approach based on an institutional perspective. These populist views put emphasis on the increased role of EU institutions, frequently on the Commission in crisis management as something which goes against the very principle of democracy. The institutional critique was extended beyond EU institutions such as international institutions and bodies including the IMF or credit rating agencies, which were regarded as undemocratic or as 'dictatorial'.

The discourses were characterized often by highly emotional language or tabloid style, which are also the hallmark of populist positions. The emotional arguments typically used historic parallels, which could depict the EU or EU institutions as working similarly to the Soviet Union or the Nazi dictatorship.

The above analysis has also shown that, despite the high-flown arguments of the populist MEPs, their main goal is to reject the proposals only, without offering alternative policy solutions. When they did, their proposals were utterly heterodox. They focus less on the details of the policy issues under discussion and are not constructive debaters. As populism commonly goes hand in hand with Eurosceptic sentiment, the analysis shows that their most important goal is to lead an empty attack not only on the proposals but also the EU institutions and the entire integration project. Furthermore, their reasoning frequently fall into logical fallacy and the populist argumentation is based usually on slippery slope arguments.

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