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Who is Afraid of the D-word?

Towards the Democratic European Union



The contemporary EU is an undemocratic "government of the people by the states".

The European Union does not face a choice between a "less integrated Europe" and a "more integrated Europe".

A democratic (federal) European Union can be established without additional transfer of competences from the national level to the EU level.

As long as the EU law engenders rights and obligations for individuals, the democratization at the EU level is the only way to ensure its legitimacy.



Summary

After decades of discussions, the EU offered very little to mitigate its democratic deficit. Now, faced with three imminent crises (the debt crisis, the euro crisis, the banking crisis), the "EU leaders" do not seem to bother with the questions of the democratic accountability and legitimacy of the EU's / eurozone's "economic governance". This paper tries to revisit the democratic deficit debate. Some of the contributors to the debate conceptualized the democratic deficit as an imbalance between executive and legislature. But the conceptualization of the democratic deficit applied in this paper is different. In my conceptualization, I follow an iconic phrase uttered by Abraham Lincoln: "Democracy is the government of the people, by the people, for the people". On a more abstract level, a system of government is legitimate if those who are governed (government of) correspond to those who govern (government by). A democratic deficit occurs if a people are governed (government of the people), but they themselves do not govern.

- 1. The contemporary EU is an undemocratic "government of the people by the states". This system of government is not legitimate because those who are governed (the main subjects of the EU law individuals who collectively form the People of the Member States) do not govern, and they do not produce the EU law. The contemporary EU system of government is not a government of the people by the people. In the EU, the states (who collectively form the European International Society)¹ govern the people.
- 2. The European Union does not face a choice between a "less integrated Europe" and a "more integrated Europe". The EU faces three basic questions that should not be confused: Who is governed on the EU level (states or people)? Who governs on the EU level (states or people)? Which competences should be transferred to the EU level, and which competences should remain on the national level? Different answers to these three questions lead to a number of possible institutional designs. However, only some of these institutional designs are democratic and legitimate.
- 3. A democratic (federal) European Union can be established without additional transfer of competences from the national level to the EU level. The democratic deficit of the EU is eliminated once the People of the Member States (individuals who are the subjects of the EU law) are allowed to govern themselves (create the EU law) within a specific scope of the EU's competences. The (lack of) democracy on the EU level is not related to the scope of the EU competences, and this paper makes no recommendation regarding the scope of the EU competences.

¹ The term *European International Society* was developed by the English School of International Relations (Hedley Bull, Barry Buzan). A similar term, *Society of Peoples*, is used by John Rawls.

4. As long as the EU law engenders rights and obligations for individuals, the democratization at the EU level is the only way to ensure its legitimacy. This paper proposes the creation of a Democratic Compact for the EU which would shift the decision-making power from the bodies that represent the European International Society of States (the European Council, the Council of the EU) to the bodies that represent the People of the Member States (the European Parliament, the President of the EU). The EU and the eurozone are becoming two distinct entities. Thus, a separate Democratic Compact is suggested for the eurozone.

The democratic deficit of the EU

Government of the European people

Who is governed (ruled) in the EU? Who is the subject of the EU law? The EU's predecessor, the EEC, established in the 1950s, was not an ordinary international organization. Even though the subjects of the primary law (the Treaty of Rome) were the states, some secondary legislation (regulations) was directly applicable to individuals. On the path to the internal market, the individuals (rather than states) gradually became the main subjects of the EU law. In 1963, the principle of direct effect was first established by the European Court of Justice. According to this ground-breaking ruling, directives

may confer rights on individuals even if the state fails to transpose them into the national law.

identical; they are governed as the People of the Member States.

Under the EU law, Europeans are

The individuals (people and their

businesses) are the subjects of EU law. EU law engenders obligations and rights for individuals. Because Europeans are equal under one legal order (EU law), and because they hold identical obligations and rights (engendered by the EU law), they are governed as the People. We can argue that the People already exist. Under the EU law, Europeans are identical; they are governed as the People of the Member States. The People do exist, though only as the subjects of the government. Individuals possess rights and obligations under the EU law but the states retained the prerogatives to make these obligations and bestow rights on individuals.

The constitution of the People (as the subjects of the EU law) was a necessary condition for the establishment of the internal market. Without the principle of direct applicability of the EU law (and without the many rulings of the ECJ on the direct effect of the EU law), the project of the internal market would never take off. The People of the Mem-

ber States have been constituted decades ago, because such a step was necessary for the establishment of the internal market.

Government by the European states

Who governs in the EU? Since the beginning of the European integration, the collective of the governments of the European states was the main decision-making and legislative body. Despite all the treaty changes, the European Council / the Council of the EU (rather than the European Parliament) remains the principal decision-maker and legislator ("the government"). Since the first direct elections to the European Parliament (1979), the influence of the European Parliament (the representative of the People of the Member States) over the secondary EU legislation gradually rose. Thanks to the Lisbon Treaty the use of the codecision procedure (the EP approves the legislation together with the Council) expanded rapidly to new policy fields. But despite these changes, the real decision-making power still rests with the governments of the European states in the European Council and in the Council of the EU. The European Parliament can only hinder, amend or rubberstamp agreements reached by the governments in the

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back rooms of the European Council / Council of the EU.

Why do the European Council and the Council of the EU dominate over the European Parliament in the EU's decision-making? Firstly, the European Parliament lacks the

power to initiate the legislation. Officially, the Commission has the power to initiate the legislation. Nevertheless, the Commission in its proposals reflects the distribution of power and interests among the national governments in order to make its legislative proposals passable. The European Council (not the European Parliament) provides the Union with the necessary political impetus for its legislation (which is drafted subsequently by the Commission) and defines the general political directions and priorities of the EU. Secondly, the new powers of the European Parliament (the above-mentioned co-decision procedure) provided by the Lisbon Treaty have been effectively offset by the rising prominence (and permanence) of the European Council. The Lisbon Treaty officially recognized the EC as the EU institution with its own president. Thirdly, only European states (not the European Parliament or individual Europeans) represented through the EC remain sovereigns under international law. Thus, the European Council can draft primary legislation of the EU. Moreover, the European states (in contrast to the European Parliament) can even bypass the primary legislation of the EU and establish new institutions and new policies outside of (not within) the EU. The prominent examples are the EMS and the Fiscal Compact.

The EU is governed by the European Council / the Council of the EU. Can we describe this system of governance as a "government by the (European) people"? No. The key question is whom does the European Council represent (or whom do the individual heads of states represent). The individual heads of states (heads of governments) represent their respective national constituencies, their peoples. Each of them has a democratic mandate to govern the respective national constituency. None of them represents the Europeans and none of them has a democratic mandate to govern Europeans (the People of the Member States). They are elected in their national capitals. In Brussels, they are not elected. The argument repeated by many politicians and academics – that national governments ensure the democratic control over the EU-level decision-making process (the "European government") – is flawed. Accordingly, national parliaments can not ensure democratic control on the European level. Like national governments, national parliaments represent the respective national constituencies; they ensure the democratic control over decision-making on the national level, and that European decision-making complies with the principle of subsidiarity. But the national parliaments

have no democratic mandate to govern Europeans (the People of the Member States).

The European Council (the Council of the EU) represents the European International Society.

Whom do the European Council

and the Council of the EU (as a whole) represent? The European Council represents the European states. To be more precise, the European Council (the Council of the EU) represents the European International Society. By following the rules of diplomacy, the European Council has a legitimate mandate to govern European states through (European) international law which engenders rights and obligations for (European) states. However, the European Council (the Council of the EU) does not represent the People of the Member States; it has no mandate and legitimacy to govern Europeans – to produce EU law which engenders rights and obligations for individuals. The European Council (the Council of the EU) is a more inclusive hypertrophic relic of the nineteenth century Concert of Europe.

Much of the public debate on the "EU's democratic deficit" focuses on the European Commission – the "unelected bureaucrats". But the main culprits of the EU's democratic deficit are the European Council and the Council of the EU – the unelected heads of states and unelected diplomats.

The democratic deficit of the EU

The contemporary decision-making process in the EU can be described as the "government of the People by the European International Society". The EU's democratic deficit lies precisely in this discrepancy between those who are governed ("government of") and those who govern ("government by"). The contemporary European Union governs

the people ("government of the people") through diplomacy ("government by states") rather than democracy ("government by people"). In other words, Europeans are not self-governed. Europeans are government by the European International Society of States.

Diplomacy ("government by states") is a legitimate way of governing states (the European International Society of States) through international law. However, diplomacy is not a legitimate way of governing individuals (the People of the Member States). Unlike international law, the EU law established by the treaties and by the ECJ rulings treats individuals as its subjects. The democratic deficit of the EU lies in the fact that the EU law which engenders equal rights and obligations for individuals ("government of the people") is not produced by individuals (or their representatives) but by states ("government by the states").

In order to eliminate the democratic deficit of the EU, this paper advocates the establishment of the representative democracy on the European level. Those parts of the EU

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law which engender rights and obligations for individuals must be created by the bodies that represent individuals (the European Parliament). The idea of a representative democracy on the EU level has been criticised by the sceptics who argue that there is no

European demos – not a people not a nation. On this view, the individuals are not identical and homogeneous enough to form the People. Thus, the sceptics argue, individuals can not govern themselves – there cannot, by definition, be a democracy at the EU level.

My counter-argument is simple: if the individuals are identical (homogeneous) enough to become equal under the EU law, they are identical (homogeneous) enough to create this law. The legal order which engenders rights and obligations for individuals but prevents individuals to create (through their representatives) the law is not legitimate. Thus, the contemporary EU is not legitimate. Many politicians and intellectuals in the EU assume that the People of the Member States are identical and homogeneous enough to be governed (the individuals are engendered with equal rights and obligations under the EU law), but not identical and homogeneous enough to govern themselves. This position is morally flawed. I do not hesitate to call it neo-colonial discourse. This paper argues that as long as the EU law engenders rights and obligations for individuals, the democratization at the EU level is the only way to ensure its legitimacy.

Alternative institutional designs of the European Union

How can we cure the EU's democratic deficit? Unfortunately, I find the debate on the democratic deficit and the institutional design of the EU highly unsatisfactory and misleading. The existing debate is one-dimensional with two extremes that lie at two respective ends: "free trade area" and "federal superstate". This schema has been widely adopted by both the proponents and the opponents of deeper EU integration:

free trade area – customs union – internal market – monetary union – fiscal union – political union ("federal superstate")

Unfortunately, this one-dimensional schema is wrong and misleading for several reasons:

- The schema fails to distinguish two distinct dimensions of government: "government by whom?" and "the scope of the government" (see below). As a result of this confusion, some institutional set-ups (such as "narrow federation") are left out of the debate about the democratic deficit and institutional design of the EU.
- The schema places the democratic government ("government by the people") only at the end of the whole integration process. The proponents of deeper integration argue that a democratic (federal) Europe can only come about on top of complete integration in most spheres of political life. At the same time, the opponents of deeper integration demonize any "government by the People of the Member States" as a "federal superstate". Both claims are completely wrong.

This paper rejects this one-dimensional schema. The following three dimensions of government can not be confused in the political debate about the institutional design of the EU:

1) Government of whom?

Who is governed? Who is the subject of the law? There are two possible answers to these questions: the states, the people. The United Nations system and the public international law are examples of a "government of the states", because international law engenders obligations and rights for the states, while individuals are usually not subjects of the international law. The international law (usually)² does not engender rights and obligations for individuals. Meanwhile, domestic political systems (both democratic and authoritarian) are examples of a "government of the people".

In the context of our debate on the EU's institutional debate, the question is "Should the EU law engender obligations and rights for the individuals (the people) or for the states?"

² There are some noticeable exemptions to this rule, especially the international criminal law.

2) Government by whom?

Who governs? Whom does the government represent? Historically, one may find different answers to this question: God, reason, the people, the international society (the states), etc. In this paper I have focused only on two alternatives: the people and the states. The United Nations system is an example of a "government by the states" (a government by the peoples, to be more precise). The preamble to the United Nations Charter starts with the opening phrase "We the peoples…" (the peoples in plural). The UN system of government represents the International Society of States (the peoples of the United Nations). Meanwhile, democratic political systems are examples of a "government by the people". Thus, the preamble to the United States Constitution starts with the opening phrase "We the people…". The institutions of the US political system represent the People of the United States.

In the context of our debate on the EU's institutional design, the question is "Who should govern in the EU: the European Council / the Council of the EU (the states) or the European Parliament (the people)? Who should produce the EU law within the scope of the EU's competences?"

3) The scope of the government

Which policy areas should the government (on a specific level of administration) control? And which competences should be left to governments on a lower level of administration?

In the context of our debate on the EU's institutional design, the question is "Which competences should be transferred to the European level of decision-making, and which competences should remain on the national level? How much power should 'Brussels' have? How should the competences be divided between the EU and the Member States?"

These three questions (dimensions of government) should be dealt with separately. The four basic possible combinations of "government by whom" and the "scope of the government" are visualized and described in detail below:

Dimensions of government

		Government by	
		the states	the people
Scope of government	wide	1.	3.
	narrow	2.	4.

1. Government by the states with a wide scope of competences

This is the reality of the post-Lisbon EU (see the first part of this paper). The contemporary European Union is a system of government that governs individuals who collectively constitute the People of the Member States. At the same time, the Lisbon Treaty maintains (or even strengthens) intergovernmentalism as the main mode of governance in the EU. The European Council and the Council of the EU (which represent the European society of states) are the main decision-makers in the EU. Historically, the main proponent of the intergovernmental model was France. But today, it seems that intergovernmentalism ("government by states") is preferred by most (if not all) of the national governments, including the German one. The recent Fiscal Compact is a clear piece of evidence of that.

Needless to say, the Lisbon Treaty widened the scope of the European government. Additionally, the Fiscal Compact extends the scope of the European government (in the eurozone, not in the EU) even further. The eurozone is moving towards the upper left corner of our schema. Even though the scope of the competences of the eurozone (see the Fiscal Compact) corresponds to the competences of the "wide federation", the eurozone is not a federation, because it is a "government by the states" and not a "government by the people".

Government of	The people
Government by	The states
Scope of government	Wide

The current institutional design of the EU and the eurozone suffers from a democratic deficit (the people are governed but they do not govern), and thus it is not legitimate.

2. Government by the states with a narrow scope of competences

This is the history of the European integration – a strictly intergovernmental European Union with fewer competences than today. The European Union's competences are restricted to the (incomplete) internal market. This is the institutional set-up preferred by the eurosceptics (Václav Klaus) and some national governments. The proponents of this "solution" advocate a return to the pre-Maastricht EU and the completion of the internal market. They also criticize the expansion of the scope of the European government (especially the EMU). Even though the eurosceptics disagree with the mainstream over

the scope of the European government, they share one important view with other national governments: they strongly defend the intergovernmental model of integration ("government by the states"). The eurosceptics insist that the European Council / Council of the EU (and not the European Parliament) remain the key decision-makers on the European level.

At the same time, the European Union preferred by the eurosceptics is still a "government of the people". The ground-breaking ruling by the ECJ which confirmed that individuals are subjects of European law came in 1963. This was actually 30 years before the Maastricht Treaty! Moreover, the constitution of individuals as subjects of European law was a necessary prerequisite for the internal market cherished by the eurosceptics. The popular definition of the internal market (the "four freedoms") stipulates freedoms for individuals (not for states). Individuals and their businesses (not the states) are entitled by EU law to free movement of goods, capital, services and labour force. Therefore, an EU limited to the internal market is again a "government of the people".

Government of	The people
Government by	The states
Scope of government	Narrow

The model proposed by eurosceptics thus suffers from the same democratic deficit (the people are governed but they do not govern). The EU democratic deficit can not be solved by narrowing EU's scope of competences.

3. Government by the people with a wide scope of competences

This is the dream of the old federalists that never materialized – a European Union which not only provides (through the EU law) rights and duties to Europeans ("government of the people") but is also governed by Europeans ("government by the people"). The "government by the People of the Member States" would be achieved by a substantial strengthening of the European Parliament in the law-making process at the expense of the European Council / Council of the EU. In this model, the European Parliament has the right to initiate the legislation. The President of the Commission is directly elected, and the Council of the EU becomes the upper chamber of the Parliament. Meanwhile, the European Commission is responsible to the European Parliament. One may also envisage a directly elected or pan-European referendum as an alternative means (besides the European Parliament and the elected President) to achieve a "go-

vernment by the people". The old federalists also advocate ever more competences for the European Union (including a larger budget and taxation, and foreign and security policy). We can call this model a "wide federation".

Supporters of a wide federation could be found among the MEPs. Nevertheless, the majority of MEPs seems to have accepted the intergovernmental status quo. They sided with the national governments and supported the Lisbon Treaty, which did little to alleviate the EU's democratic deficit and in reality did not bring about a "government by the people". It seems that the true old fashioned federalist is an endangered species today.

Government of	The people
Government by	The people
Scope of government	Wide

The wide reaching "government by the People of the Member States" is democratically legitimate and in line with the definition of democracy provided by Abraham Lincoln.

4. Government by the people with a narrow scope of competences

This is another federalist alternative. I call this institutional set-up a "narrow federation". It is a federation because in this case, the democratic principle "government of the people" is respected on the European level. The institutional set-up is identical to that of a "wide federation". The European Parliament and the directly elected President of the Commission are the main decision-making bodies of the EU. But in contrast to the traditional understanding of federation, the scope of the European government is narrow. The EU is governed by institutions representing the People of the Member States, but this European government has fewer competences than the contemporary EU. One can imagine a "narrow federation" with competences limited to the internal market and a few related policies (such as competition policy). Such a federation would represent a democratic counterpart to the undemocratic intergovernmental model proposed by the eurosceptics (see above).

Proponents of a "narrow federation" are very difficult to find. One of the few proponents is Libertas, a short-lived pan-European political party which attracted attention before the 2009 European Parliament elections. Libertas advocated a federalization and democratization of the EU (including the direct election of the President of the Commission and the right to initiate legislation for the European Parliament). At the same

time, it fiercely criticized the Lisbon Treaty for extending the scope of the EU's competences at the expense of the nation states.

Government of	The people
Government by	The people
Scope of government	Narrow

This "European government by the People of the Member States" with a narrow scope of competences is legitimate and in line with our definition of democracy.

5. Government of the states by the states

We have not included an international organization in our visualization <see table>, but I find it worth mentioning. An international organization (or the public international law as such) is by definition a "government of the states by the states". A government of the states simply means that the states are the only subjects of the law.

The EU and her predecessors were never typical international organizations: since the 1950s and 1960s, individuals are subjects of the EU law. The (still incomplete) internal market is held together by the fact that individuals (and their businesses) are subjects of the EU law. If individuals as subjects of the EU law were removed, the internal market would cease to exist. To sum up, a "government of the states by the states" would require going back to the time before the 1950s and 1960s – it would even mean a dissolution of the EU (including the internal market). A new regional international organization would be created, but without the internal market (like, for example, the OBSE).

Government of	The states
Government by	The states

None of the international organizations is democratic (they are not governments by the people), but this fact does not threaten their legitimacy as long as they do not treat individuals and their businesses as subjects of their secondary legislation. The international organizations (governments of the states by the states) operating within the public international law are not democratic, but they are legitimate.

This overview of the possible forms of the European governments leads us to an important conclusion:

A democratic (federal) European Union can be established without additional transfer of competences from the national level to the European level.

The democratization of the EU does not require additional transfer of powers (competences) from the national level (Member States) to the European level. Some politicians (Libertas) even advocate democratization (federalization) of the EU and limiting the scope of its competences at the same time. The democratization of the EU is about a rebalancing between the EU institutions in favour of the democratically elected ones (the elected President and the European Parliament). We are talking about a horizontal shift (see the visualization) in favour of a "government of the people". The democratically elected institutions of the EU will govern and legislate within the limits of the existing competences of the EU (the "scope of the government" does not change).

A Democratic Compact for the EU

In order to cure the acute democratic deficit of the EU, this paper proposes the following Democratic Compact. The proposal is about institutional changes in favour of a "government by the people". The Democratic Compact should contain the following provisions:

1) The EU competences remain intact

Unlike all the previous treaty changes, this treaty change does not alter the division of competences between the member states on one side and the EU on the other side. The (lack of) democracy on the EU level is not related to the scope of the EU competences and this paper makes no recommendation regarding the scope of the EU competences.

2) The European Council is abolished

The European Council is a hypertrophic relic of the nineteenth century Concert of Europe. Back then, the Concert of Europe could have been seen as legitimate since it governed over the European Society of States. But the contemporary EU is about governing the European society of people (the People of the Member States). Thus, the European Council has no place in the EU's institutional structure. As we have mentioned above,

the source of the democratic deficit of the EU is the domination of the European Council / Council of the EU in the EU's decision-making.

3) The President of the European Commission is to be directly elected

The European Commission will become a democratically accountable European government. At the same time, this European government will govern within the existing competences of the Commission. But the member states will still nominate individual commissioners.

4) The President of the European Commission replaces the European Council

The elected President (not the European Council) "provides the Union with the necessary impetus for its development and defines the general political directions and priorities thereof. (S)he does not exercise legislative functions." This paper suggests that the President should replace the European Council (the President will take over the duties and roles reserved by the treaties for the European Council). I do not support the idea of a directly elected "president of the European Council". Who would bother voting for a secretary of the European Council?

Today, the European Council blatantly disregards the limits of the EU competences set out in the EU primary law. The "impetus" and "political directions" provided by the EC too often reach out beyond the EU competences. The reason is simple. The member states represented in the EC are sovereigns under international law. Thus, they can change the EU primary law or conclude new treaties outside the EU primary law in order to govern (see the EMS and the Fiscal Compact). In practice, the EC stands above the EU primary law. The replacement of the EC by the directly elected President does not extend the EU competences. In fact, it makes the limits of the EU competences more secure since the President has no power to alter the EU primary law.

5) The Council of the EU becomes the second chamber of the European legislature

The domination of the unelected Council of the EU is the source of (not the solution of) the democratic deficit of the EU. We do not advocate the abolition of the Council, but the unelected Council of the EU can not dictate to the elected European Parliament. Therefore, ...

6) The European Parliament can outvote the Council of the EU using qualified majority

Both the European Parliament and the Council should approve legislation. However, if the European Parliament and the Council fail to reach agreement, the European Parliament alone can still pass the legislation using qualified majority in those areas of the EU law which engender obligations and rights for individuals.

7) The Council of the EU decides unanimously

Each member state has a veto in the Council of the EU in all policy areas within EU competences. The qualified majority voting in the Council is abolished. However, if the member states within the Council fail to reach agreement, the European Parliament can still pass the legislation in most (but not all) policy areas, using qualified majority (see above).

8) Members of the European Parliament and all EU member states have the power to initiate legislation

Besides the Commission, a specified group of MEPs and each individual member state can initiate legislation.

9) European parties are allowed to compete in European Parliament elections

Under the current rules, grassroots pan-European parties are forced to set up 27 subsidiaries (27 national political parties under 27 different national regulations) if they want to compete in European Parliament elections (that was the fate of Libertas.eu before the 2009 EP elections). Such an electoral system is deeply undemocratic. One licence should suffice to field candidates in all EU member states.

10) Only European parties are allowed to set up "political groups" in the European Parliament

The "political groups" play a crucial role in the political life of the European Parliament. The problem is that nobody voted for them. Not a single European citizen voted for the "European People's Party". Not a single European citizen voted for the "Socialists & Democrats" or any other political group. These "groups" must stand in elections (as European parties) in order to have some democratic legitimacy. Simply said, they must have their name written on the ballot cast by the voter. National parties can also run in the

EP elections, but they must form a European party after the elections in order to establish a "political group" in the EP.

11) National parliaments will form a special institution to guard the principle of subsidiarity

The COSAC (the Conference of Community and European Affairs Committees of Parliaments of the European Union) will be transformed into a special chamber (an institution of the EU). Only the President, the Commission, the Parliament and the Council govern within the competences of the EU. National parliaments can not govern and legislate on the EU level since they lack the democratic mandate to do so. The task of the national parliaments (represented by the COSAC as a full-fledged EU institution) is to guard the limits of the EU competences through subsidiarity checks.

A Democratic Compact for the eurozone

The two-speed Europe is a reality we need to live with in the foreseeable future. The EU and the eurozone are becoming two distinct entities. The eurozone has constituted its own institutions and its own eurozone law. The constitution of the separate eurozone primary law (the ESM, the Fiscal Compact) and the separate eurozone institutions (Euro summits and Euro Groups) could be criticized on many grounds. However, this legal and institutional gap between the eurozone and the EU-27 only reflects the political reality caused by two processes: the introduction of the euro and the continuous EU enlargement.

One can not expect the eurozone law to be applied in the whole EU-27 (soon to be EU28) any time soon. If the eurozone law is not applied in the whole EU-27, then the eurozone needs its own institutions to produce the eurozone law. Needless to say, the nascent eurozone legal order and institutional set-up suffer from an even more serious deficit of democracy than the EU-27. The institutional set-up of the eurozone has been strongly skewed in favour of a "government by the states". Also, the eurozone has no democratic counterparts to the Euro summits / Euro Groups.

A democratization of the eurozone (proposed below) would inevitably expose the fact that there are 2 classes of Europeans. Europeans from the eurozone (the "ins") are subject to the eurozone law and thus they should be allowed to govern and produce the eurozone law. Meanwhile, the "outs" are not subject to the eurozone law and can not participate in it. The decision to stay out of the eurozone legal order was their own.

1) The eurozone competences remain intact

The eurozone institutions will govern within the competences of the eurozone set out in the Fiscal Compact, the ESM and those provisions of the EU treaties which apply to states which use the euro. The proposed Democratic Compact for the eurozone does not alter the division of competences between the member states on one side and the EU on the other.

2) The Euro Summits are abolished

Mrs. Merkel and Mr. Hollande represent two competing economic programmes. In a normal (i.e. democratic) political system, the winner is determined through ballot, and not through back-room diplomacy. I encourage both of them to campaign for the post of the Minister of Finance. The winner will have 5 years to show the results of her/his policy. They should not be afraid of their fellow Europeans.

3) The Minister of Finance will be directly elected

The Commission and the ECJ are probably the only two institutions that can be shared by the EU and the eurozone. In the case of the Commission, the Minister of Finance will be one of the Commissioners. The Minister of Finance will be elected by the citizens of the eurozone countries. He or she will act on behalf of the Commission whenever the Commission is mentioned in the eurozone primary law.

4) The Minister of Finance replaces the Euro Summit

The Minister of Finance will take over the duties and roles reserved by the treaties for the Euro summit. He or she will chair the Euro Group.

5) The Euro Parliament will be set up

Some politicians proposed that only eurozone deputies of the European Parliament should be allowed to vote on single currency issues. Such a step would divide the existing MEPs into two categories. Thus, I believe that a separate Euro Parliament, elected only by the citizens of the eurozone, would be a better and more sensible solution.

6) The Euro Group becomes the second chamber of the eurozone legislature

7) The Euro Parliament should approve (through codecision) any decision of the Euro Group

Both the Euro Parliament and the Euro Group should approve the legislation. The related codecision procedure will be applied whenever the eurozone primary law (the ESM, the Fiscal Compact) stipulates a decision by the Euro Group or by the finance ministers of the eurozone countries.