

Domestic Response to the Financial Crisis: Reforms of Executive Branches in Economically Weak Countries of the Eurozone*

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1. Introduction.

This text represents the result of a broad comparative and multidisciplinary research project, intersecting constitutional and administrative law with political science. I started this research as the project coordinator when I was working at the CEPC (Centro de Estudios Políticos y Constitucionales) in Madrid, where I organized a conference in 2014 on this topic. I pursued the project further when at the MPIIL (Max Planck Institute for Comparative Public Law and International Law) in Heidelberg as part of the Leibniz Project on “Structural Transformation of Public Law”. A large set of results was published in an edited volume in 2018¹, and this paper further elaborates on the conclusions I drafted for that volume.

I considered this text worth discussing in a forum devoted to “economic inequality as a global constitutional challenge” for three main reasons: a) because it encompasses several disciplines; b)

* *Double-blind peer reviewed in accordance with the Journal guidelines.*

[∞] I would like to thank all the participants to the Schmooze for their feedback, in particular prof. Violini and dr. Baraggia, as well as dr. Aravantinou Leonidi for their comments on a previous draft of this paper. Also, many thanks to the blind reviewers for their suggestions and critiques. This paper is the result of the research conducted within the framework of the Jean Monnet Module “CRISES – Critical Risks for Integration and Solidarity in the European Space” (2018-2021).

¹ S. Ragone (ed.), *Managing the Euro Crisis. National EU Policy Coordination in the Debtor Countries*, London, 2018.

because it is an example of scholarship combining two different lines of research that had not been assessed conjunctly before; c) because it addresses one facet of economic inequality, namely the inequality among member states of the EU (and not necessarily within one state), which so far has not been analysed by academics as much as others.

The target of the project was to examine the instruments set up to coordinate EU-related matters within domestic executives in times of crisis. For the first time, two research lines (i.e. EU coordination by the executive *and* the constitutional effects of the financial crisis) were combined in order to achieve a comprehensive understanding of the interconnection between the Europeanization of national administrations and the crisis. Consistently with this approach, the selected case studies covered those EU member states whose financial situation was (considered) more precarious during the last decade, i.e. Cyprus², Greece³, Ireland⁴, Italy⁵, and Portugal⁶.

Although in different degrees and manners, over the past years all these countries have faced economic issues and have been subject to special attention by European institutions. Some of them were even bailed-out and consequently had to sign and implement a Memorandum of understanding (or more than one, like in the Greek case) with the so-called Troika, composed by IMF, Commission and ECB. The condition of being a programme country, which can be applied to all cases with the only exception of Italy, proved to be a relevant variable in the evolution of the national coordination management and regulation.

All changes to the coordination system implemented since the outbreak of the financial crisis were taken into account, with the target of understanding which ones represent a consequence of the

² A. Pegasiou, *EU coordination in Cyprus: The limits of Europeanization in times of crisis*, in S. Ragone (ed.), *Managing the Euro Crisis*, op. cit., p. 83-105.

³ C. Spanou C., *EU coordination in Greece: 'forced' Europeanization under the MoU?*, in S. Ragone (ed.), *Managing the Euro Crisis*, op. cit., p. 13-38.

⁴ B. Laffan, *EU coordination in Ireland: Centralization to master the crisis*, in S. Ragone (ed.), *Managing the Euro Crisis*, op. cit., p. 39-54.

⁵ S. Ragone, *EU coordination in Italy: (predominantly) internally driven changes in times of crisis*, in S. Ragone (ed.), *Managing the Euro Crisis*, op. cit., p. 107-127.

⁶ J. Magone, *EU coordination in Portugal: Continuity and flexibility in a Troika regime*, in S. Ragone (ed.), *Managing the Euro Crisis*, op. cit., p. 55-81.

crisis and which ones depend mainly on internal dynamics. Several factors may directly or indirectly affect the legal framework and concrete performance of each one of the executives in the European context. Among them, one can count the size of the state; the performance and the dimension of the corresponding administration; as well as the political ambition concerning EU policies. Also, further factors have had a strong impact on the organization of the executives, such as the desire to play an active role in the management of the crisis, the need of increasing the administrative capacity and the competence of national officials, and the relationship with other member states and the institutions of the EU.

The interdisciplinary perspective took into consideration both the doctrinal reconstruction of the regulation concerning EU coordination and the analysis of practice. So far, the topic had been assessed only by political scientists⁷ while this research provided a legal examination of EU coordination, complementing former studies and linking them with the features of the context of the financial crisis.

After explaining to what extent divergence and convergence of the mechanisms for coordination have been a constant feature of the EU (§ 2), this article focuses first on the elements of convergence among the case studies (§ 3), finally explaining which actors can be considered winners and losers of this evolutionary process due to the crisis (§ 4).

2. EU coordination by domestic executives: factors of convergence and divergence.

Throughout the decades, the mechanisms and institutions created in each state to face the need for coordination have shown patterns of both convergence and divergence⁸. Although

⁷ In particular, H. Kassim, B.G. Peters and V. Wright (eds.), *The National Co-ordination of EU Policy. The Domestic Level*, Oxford, 2000.

⁸ H. Kassim, B.G. Peters and V. Wright (eds.), *The National Co-ordination of EU Policy*, *op. cit.*; K. H. Goetz, J.H. Meyer-Sahling, *The Europeanisation of National Political Systems: Parliaments and Executives*, in *Living Reviews in European Governance*, 3(2), 2008, p. 4-30.

Europeanization of the administrations calls for more uniformity, national specificities and traditions still play a major role in the organization of domestic institutions.

The pressure for convergence depends on the fact that all member states act in the same institutional framework and have to face similar challenges when they prepare and then defend their positions at the European level. All governments have had to arrange their structures accordingly. The need to adapt national structures to make them more consistent and responsive to the decision-making process in Brussels creates incentives towards similar coordination mechanisms, although the EU does not require any, leaving margin of manoeuvre to the states. Nevertheless, the logic of optimization, which should have led to more and more analogous processes and structures⁹, has not become predominant.

At the national level, several features of the political environment contribute to shape the mechanisms of coordination, namely the policy style, the way in which coordination is conceived within the administration of the corresponding state (for instance, with respect to subnational territorial entities), or the nature of the political and administrative opportunity structure¹⁰. The general approach of the state towards European affairs and European integration as a whole affects the focus of the coordination on implementing and/or influencing the decisions as well. Furthermore, the model of coordination adopted for internal affairs has an impact on the instruments used to achieve the same goal in EU-related issues.

Previous doctrinal works have proven that there are numerous similarities, such as the establishment of new structures and/or the adaptation of the pre-existing ones – phenomenon that has occurred in the long-term member states and in the most recently accessed –; the increasing role of the Prime Ministers (PM) and the corresponding erosion of the position of the Minister for Foreign

⁹ R. Harmsen, *The Europeanization of National Administrations: A Comparative Study of France and the Netherlands*, in *Governance*, 12(1), 1999, p. 84.

¹⁰ H. Kassim, B.G. Peters and V. Wright (eds.), *The National Co-ordination of EU Policy*, *op. cit.*, p. 250 ss.

Affairs¹¹. On the one hand, technical issues require skills different from mainly diplomatic preparation and, on the other hand, the raising relevance of financial, monetary and economic issues has pushed forward the role of the Ministries of Finance or Economy. This specific factor became even more evident at the pick of the financial crisis.

Also, patterns of divergence have been highlighted, in particular, the total number of actors involved in the EU coordination (like PM, ministers, Parliaments, regions...) and the role that each of them plays in the process of coordination according to the domestic division of responsibilities, as well as the concrete mechanisms created and their actual functioning.

From this perspective, the period of the financial crisis was not distinct. The evolution of EU coordination mechanisms shows both commonalities and differences. In § 3 and § 4 the kind of adaptation brought about during the crisis will be examined, answering the following questions: were radical transformations implemented or the mechanisms for coordination were simply adapted to the new context? Are these changes meant to last or are they adjustments to face the crisis destined to be eliminated as soon as the programme is accomplished? What consequences did the evolution provoke in terms of centralization of power in the hands of the domestic executive? Which actors' powers have increased and which ones' have decreased?

3. Patterns of convergence of EU coordination during the financial crisis.

The comparative examination of EU coordination during the crisis has shown three main patterns of convergence: a) there was no radical change in EU coordination, as the mechanisms already in place were adjusted and not dramatically transformed¹²; b) such adaptations

¹¹ Already highlighted by H. Kassim, B.G. Peters and V. Wright (eds.), *The National Co-ordination of EU Policy*, *op. cit.*, p. 239.

¹² Interestingly, the first path analyzed in X. Contiades (ed.), *Constitutions in the Global Financial Crisis. A comparative Analysis*, Ashgate, 2013, p. 63 ss., is

are not meant to last in time, being considered as a temporary response to the financial crisis; c) globally, these adaptations led to centralization of powers within the national executives (although asymmetrically, as it will be explained in § 4).

As it concerns the pattern sub a), the adaptation of EU coordination mechanisms tended to recognize a more relevant role to existing bodies, like the CIAE (so-called *Comitato interministeriale per gli affari europei*) in Italy and the DGAE (directorate general for European affairs) in Portugal. In Ireland¹³ and in Greece, the state responded to the crisis within the operating procedures of the political and administrative culture.

The Italian CIAE had been statutorily regulated in 2005¹⁴ and was reformed in 2012¹⁵, although its structure and basic targets remained untouched. What changed was the frequency of its meetings. In fact, for several years after 2005 the coordination had been achieved through informal meetings among ministers and officers. Only the appointment, in 2014, of Sandro Gozi (Secretary of State for European Affairs until 2018), who was among the promoters of the reform, determined the change. The first meetings of the Committee were held in June 2014 and then took place every three/four weeks.

The Greek system evolved according to the administrative tradition of the country: changes were slow and initially based on

“adjustment”, which would be applicable to the Irish and the Italian case, among those examined in the volume.

¹³ No “Big New Idea” was elaborated to respond to the crisis, as it was highlighted by D.G. Morgan, *The Constitution and the Financial Crisis in Ireland*, in X. Contiades (ed.), *Constitutions in the Global Financial Crisis. A comparative Analysis*, op. cit., p. 87.

¹⁴ For an overall understanding of the mechanisms, M. Savino, *L'amministrazione e l'Europa: l'eterna rincorsa*, in L. Fiorentino et al. (eds.), *Le amministrazioni pubbliche tra conservazione e riforme. Omaggio agli allievi a Sabino Cassese*, Milan, 2008, p. 123 ss.

¹⁵ On this reform, L. Costato, L. Rossi and P. Borghi (eds.), *Commentario alla legge 24.12.2012 n. 234 'Norme generali sulla partecipazione dell'Italia alla formazione e all'attuazione della normativa e delle politiche dell'Unione europea'*, Naples, 2015. A complete analysis of the performance of this piece of legislation can be found in E. Moavero Milanesi, G. Piccirilli (eds.), *Attuare il diritto dell'Unione Europea in Italia. Un bilancio a 5 anni dall'entrata in vigore della legge n. 234 del 2012*, Bari, Cacucci, 2018.

merely *ad hoc* practices or even on personal informal arrangements. Later, the structures around the Ministry of Finance (MF) were slightly reshaped. At the beginning, the Secretary General of the MF held periodical information meetings and led the coordination of the affected ministries. When it had to monitor the implementation of the MoU, the MF also made use of the Council of Economic Experts (so-called SOE) – whose role switched from the one of a think-tank to that of an actor of the management of European issues –, the General Secretariat of Economic Policy, and, more specifically, its EU Directorate. Only when the Troika explicitly requested a specialized structure with permanent technical personnel in 2011, the legislator established a monitoring body for the structural adjustment programme, namely the Service for the Planning and Monitoring of the Implementation of Economic Adjustment Programmes, attached to the MF, which became operative in 2013. The same year also a new mechanism of general coordination was created in order to respond to the requirements of the MoUs, i.e. the General Secretariat for Coordination, attached to the PM and headed by a political appointee.

In Portugal as well, during the implementation of the programme, the emphasis was put on efficiency and economic performance. The country has traditionally been portrayed by political scientists as a member state focused on downloading EU policies, and this is confirmed by the attitude adopted for the implementation of the reform packages agreed upon with the Troika, that can be considered as an example of “coercive Europeanization”¹⁶. New legislation was passed to amend and improve the participation of the DGAE in the policy-making process, with special attention to economic coordination in the framework of the European Semester procedure. Then, to fulfil the tasks and the timing fixed by the MoU, a special task force was created, namely the Mission of Monitoring the Memoranda (ESAME).

The only exception to the pattern of adaptation of domestic mechanisms was Cyprus. When the country requested financial

¹⁶ J. Magone, *Portugal as the “good pupil” of the European Union. Living under the regime of the Troika*, in J. Magone, B. Laffan and C. Schweiger (eds.), *Core-Periphery Relations in the European Union. Power and Conflict in a Dualist Political Economy*, London, 2016, p. 179 ss.

assistance in June 2012, it did not have any permanent structure in place, which could be able to coordinate the negotiations with the Troika and monitor the implementation of the MoU. There was just a European Affairs Deputy Minister appointed expressly to coordinate the Cypriot Presidency; his mandate was supposed to end after the Presidency itself and did not include any participation in policy areas. In 2013 the coordination mechanism implemented in the MF was adjusted in terms of tasks and targets of the existing units and departments to create an efficient mechanism to communicate with the Troika.

As it concerns the pattern sub b), i.e. the temporary nature of the adaptations due (mainly) to external pressure, one must recall that already in the early 2000 coercion was not considered as a determining factor for homogeneity among the states¹⁷. The push for coordination coming from outside the countries played a bigger role in the context of the crisis due to the need to timely comply with the requirements of the MoUs in the particularly weak economic situation of the countries affected. Loan conditionalities always implied the implementation of a specific set of policies and reforms, which altered domestic priorities¹⁸.

More specifically, the Economic Adjustment Programmes (EAP) that Greece agreed upon with the Troika in 2010 and 2012 and the one concerning the European Stability Mechanism (ESM) in 2015 explicitly prioritized some financial, fiscal, economic and structural policies. The schedule and the deadline to comply with were extremely tight and complex to fulfil, requiring an expedite mechanism for the implementation of the reforms¹⁹.

¹⁷ H. Kassim, B.G. Peters and V. Wright (eds.), *The National Co-ordination of EU Policy*, *op. cit.*, p. 243.

¹⁸ A. Baraggia, *Conditionality Measures within the Euro Area Crisis: A Challenge to the Democratic Principle?*, in *Cambridge Journal of International and Comparative Law*, 4(2), 2015, p. 268 ss.

¹⁹ For a contextual analysis, G. Aravantinou Leonidi, *L'impatto della crisi economica sul sistema costituzionale della Repubblica di Grecia*, in F. Balaguer Callejón, M. Azpitarte Sánchez, E. Guillén López and J.F. Sánchez Barrilao (eds.), *The Impact of the Economic Crisis on the EU Institutions and Member States*, Cizur Menor, 2015, p. 335 ss.

These externally influenced changes seem to remain mainly temporary. For instance, in Ireland, right after the elections in 2016, the PM decided to dissolve the Economic Management Council (EMC) that had been created to tackle the crisis. In Portugal as well the aforementioned ESAME was established as a temporary task force for the coordination and implementation of the programme. In Cyprus, the Government established at the end of 2013 that the European Union Division within the MFA would be allotted the task of interministerial coordination of EU affairs, but this new body rarely meets. One exception is represented by the Italian case, where the internally driven changes reflect the political will to change the coordination mechanisms through long-lasting instruments and institutions.

As it concerns the pattern sub c), i.e. the centralization of EU coordination in the domestic arena, this general evolutionary feature of coordination was strengthened during the financial crisis.

In Ireland, the Government and the central administration became the dominant carrier of Europeanization especially for the years when it was a program country (2010-2013). In Portugal, the coordination of the Economic and Financial Adjustment Programme agreed upon with the Troika in 2011 was taken care of by the MF in cooperation with the Office of the PM.

In the Greek case, the need for positive coordination arose from the need to comply with the implementation of the reforms within the timetables and conditions set in the MoU. As a result, a (slow) phenomenon of centralization with different main actors took place: the agreements were usually arranged by the PM, the President of the SOE, attached to the MF, and the Minister of Finance, who then submitted the decisions to the approval of the Council of Ministers.

In Italy, the increasingly leading role of the PM in EU policy coordination was potentiated by the financial situation of the country, but this was not what triggered it. In fact, the importance of the PM in this field had raised already due to the increasing relevance of European affairs in internal politics and to the role of the PM as the representative of the state in the European Council²⁰.

²⁰ On this issue, see N. Lupo, *Il governo italiano*, in *Giurisprudenza costituzionale*, 2, 2018, in particular p. 944 ff. On the role of the PM and its

According to the categories used by Kassim²¹, i.e. selective/comprehensive and centralized/decentralized approaches to EU policies, both Ireland and Portugal have a selective and centralized management of EU affairs. In Greece, the system moved from “decentralized and selective” to “centralized and selective” due to the tasks given to the MF. Lacking a permanent body for coordination, Cyprus is still to be considered as a country with a decentralised system, because even during the crisis the executive mainly relied upon *ad hoc* arrangements. Italy kept its comprehensive approach in spite of the financial situation, also shifting towards centralization, after being considered for long time as having a decentralized mechanism with different actors and veto players. Nevertheless, this phenomenon depended mainly on domestic factors.

4. Asymmetrical centralization within domestic administrations: winners and losers.

The comparative analysis carried out demonstrated that there are two clear winners of the evolution of EU coordination in the past decade, in the framework of the process of centralization: PMs and their Offices (a) and Ministers of Finance and of Economy (b). Their role increased while the importance of the Ministers of Foreign Affairs (c) diminished. The most severe reduction of powers was experienced by domestic Parliaments (d).

Concerning the PMs’ role (a), there have been several internal and external factors that have pushed towards their increasing relevance, in particular, the growing importance of the European Council in EU policy-making²². During the crisis, the coordination

evolution over the decades, see the interesting assessment offered by I. Ciolli, *La questione del vertice di Palazzo Chigi. Il Presidente del Consiglio nella Costituzione repubblicana*, Naples, Jovene, 2018.

²¹ H. Kassim, *The National Coordination of EU Policy*, in J. Magone (ed.), *Routledge Handbook of European Politics*, London, 2015, p. 686 ss.

²² On this phenomenon, with reference to the multiple crisis of European integration, see C. Pinelli, *Il doppio cappello dei Governi fra stati e Unione europea*, in *Rivista trimestrale di Diritto pubblico*, 3, 2016, p. 645 ss.; S. Fabbrini, *La crisi dell’euro e le sue conseguenze*, in *Rivista trimestrale di Diritto pubblico*, 3, 2016, p. 655 ss.

tasks of the PM and their Offices were strengthened in all the case studies. Even in Portugal, where the MFA is still a very relevant actor, the newly established ESAME was attached to the Office of the PM.

In Greece, the PM had traditionally been politically strong but was never allotted relevant coordination tasks, and also the deputy PM in charge of monitoring the coordination had played a minor role. Nevertheless, between 2010 and 2012, the Office of the PM was transformed into a General Secretariat and was provided with a “Strategic Planning Unit” and a “EU and International Relations Office”. Also, the General Secretariat of the Government (GSG) included an Office for International and Community Issues in 2010²³.

While in Greece only *ad hoc* committees were arranged, the Irish Government established some more stable bodies, among them, an EU Committee composed by personnel of the ministries and a high-level Committee composed by ministers and senior civil servants, serviced by the Office of the PM. Additionally, the Irish Office of the PM is paramount in the management of EU-related issues and established the strategic direction and focus for the European approach of the country. During the crisis, the PM and the Deputy PM were both members of the aforementioned Economic Management Council (EMC) which was composed by the four most senior ministers of the core executive and the PM appointed another Secretary General to the Office of the PM in order to monitor the EMC.

Concerning Italy, the Office of the PM became the major coordination venue at the end of the 80s, with the establishment of the Department for Coordination of Community Policies in 1987 (today Department for European Policies, DEP) and the corresponding Minister or Secretary of State for European Affairs²⁴.

²³ For an overview of the political landscape in Greece after 2010, see X. Contiades, I.A. Tassopoulos, *The Impact of the Financial Crisis on the Greek Constitution*, in X. Contiades (ed.), *Constitutions in the Global Financial Crisis. A comparative Analysis*, *op. cit.*, in particular, p. 196 ff.

²⁴ See C. Franchini, *L'impatto dell'integrazione comunitaria sulle relazioni al vertice dell'amministrazione. Poteri governativi e poteri amministrativi*, in *Rivista trimestrale di Diritto Pubblico*, 3, 1991, p. 775 ss. and G. Della Cananea, *Italy*, in H. Kassim, B.G. Peters and V. Wright (eds.), *The National Co-ordination of EU Policy*, *op. cit.*, p. 99 ss.; for a comparative analysis, S. Ragone, *Coordinación de las políticas*

The DEP has always been attached to the Office of the PM. It collaborates with other bodies, also located there: the Interministerial EU Committee and the Technical Evaluation Committee²⁵. The enhancement of the PM's role during the crisis depended on the new comprehensive approach to European affairs undertaken by the Italian Government and in particular by Matteo Renzi on the occasion of the Presidency of the Council in 2014, accompanied by the target of improving the performance in the ascending phase²⁶.

The second member of the core executive whose role has been progressively improved is the Minister of Finance and/or Economy (b), even more so after the start of the Single Market programme, the creation of EU structural and cohesion funds and the Economic and Monetary Union (EMU) in the 90s.

In Italy, there was no formal reform of the structure and tasks of the Ministry of Economy and Finance (MEF) but during the crisis its status was improved *de facto* due to the priority of economic and financial issues and the need to respond to European and international pressure, adopting austerity measures and spending-cuts. Also, the relevance of economic issues was demonstrated by the choice, by PM Mario Monti, in 2011, to personally hold the post of Minister of Economy and Finance at the beginning of his mandate for several months.

In Portugal, the major part of the reforms and measures related to economic issues were undertaken by the MF, in collaboration with the Office of the PM.

In Greece, already in 1987, the Council of Economic Experts (so called SOE) had been established as a body with an advisory role in economic policy attached to the Ministry of Economic Affairs (MEA).

europas y transformaciones estructurales de los Ejecutivos nacionales (el caso italiano en perspectiva comparada), in *Revista General de Derecho Público Comparado*, 12, 2013, p. 1 ss.

²⁵ L. Saltari, *Il sistema di coordinamento*, in *Giornale di diritto amministrativo*, 5, 2013, p. 475 ss. and S. Ragone, *La coordinación gubernamental de las políticas europeas. Un análisis de derecho comparado sobre los miembros fundadores*, in *Estudios de Deusto*, 61(2), 2014, p. 213–234.

²⁶ Some changes happened already with the Monti government in 2011, as it is explained by T. Groppi, I. Spigno and N. Vizioli, *The Constitutional Consequences of the Financial Crisis in Italy*, in X. Contiades (ed.), *Constitutions in the Global Financial Crisis. A comparative Analysis*, *op. cit.*, p. 101 ff.

During the crisis, the MEA was reorganized, but in this case the reforms depended on domestic factors: in particular, in 2009 it was again separated from the MF (with which it had been merged seven years earlier) and the realm of economic and development policies is now divided between the two Ministries. In spite of this shared competence, only the MF was given the task to implement the MoU, being also in contact with the Troika and the other Eurozone member states. The MF inaugurated a new model of coordination, more concentrated and effective in comparison with the MFA-led one.

In Ireland the MF's structure was changed: in 2011 it was split into the Ministry of Public Expenditure and Reform and the MF, respectively in charge of the reforms to be implemented and the traditional financial issues. These two Ministers were also members of the new Economic Management Council – EMC – temporarily set up by the Government, which was the main strategic centre of coordination in the management of the crisis. The PM and the Deputy PM were the other two members of the ECM.

In Cyprus as well, the MF was designated as the leading actor of the coordination when the executive established in 2013 the interministerial committee in charge of the implementation of the reforms. Additionally, a few months later the bureaucratic management was transferred from the Planning Bureau of the MFA to the Unit of Strategic Coordination and Cooperation of the MF.

The increase of the powers of PMs and Ministers of Finance/Economy was accompanied by the decline of the Ministers of Foreign Affairs (c), which had been relevant since the beginning of European integration, especially during the first years after the accession of each member state, but have been on an overall descending trend since several decades. In Portugal, he is still very relevant, since the core seat for EU coordination – i.e. the DGAE and the Secretary of State of European Affairs are attached to the MFA. In Greece, for decades this minister had been in charge of the general coordination in a decentralized and negative manner but during the crisis the MF, focusing on the implementation of obligations, has inverted the model. In Cyprus the Government in 2013 decided to allot to the EU Division within the MFA the task of ensuring EU policies domestic coordination. Additionally, the politically highest level of coordination takes place in the interministerial committee for

EU affairs chaired by the Minister of Foreign Affairs and also the coordination between the officials of the different EU units of the ministries is characterized by the leading role of the corresponding unit of the MFA.

In Ireland and Italy, until the late 80s the MFA was the leading ministry and used to take care of the daily management of EU coordination, but then it had to share this task with the Office of the PM. More specifically, the Irish MFA has a European division which determines the national position in collaboration with the EU division of the Office of the PM, while a political division is responsible for the decisions related to the Common Foreign Security Policy and defence issues. The same can be said about the MFA of the other countries examined, which are still the most important players in that field.

In addition to being the main actor in this non-Europeanized policy, the MFA is the institutional linkage with the Permanent Representation in Brussels, which represents, for all the case studies, an essential player for coordination and also a highly qualified body composed by skilled and experienced personnel.

The Permanent Representation of most countries is a sort of miniature of the core executive. In the Irish case, the number of ministries grew since the 70s up to the point that all of them (with the exception of the Office of the PM) are now represented in Brussels. Also, in the Greek, the Portuguese and the Italian Representations, in addition to MFA diplomats and experts, there are representatives of all ministries. They are in touch with the corresponding ministries and interact on a daily basis with the national coordination bodies. In the case of Cyprus, the Permanent Representation acts essentially as a mediator and is led by a career diplomat who receives instructions by the MFA.

Finally, national Parliaments (d) were also affected by the crisis. Since the first stages, European integration determined the transfer of legislative matters from the domestic level to the supranational level, fostering also an internal shift of powers towards the executives, as they represent the state at the European level²⁷. Additionally, during

²⁷ See M. Cartabia, N. Lupo and A. Simoncini (eds.), *Democracy and Subsidiarity in the EU. National parliaments, regions and civil society in the decision-making process*, Bologna, 2013. On the difficulties of ensuring

the crisis, many decisions were adopted through the intergovernmental method or in Summits/meetings of the European Council and the Eurozone, further underpinning the importance of the executives²⁸.

During the years of the crisis, domestic executives not only drove and coordinated anti-crisis policies outside national borders, but they often manipulated the discourse at the domestic level, submitting to their corresponding Parliaments measures already agreed upon in Europe or with the Troika. National Parliaments decided to ratify those decisions responding to two logics: because they were caught up in the so-called “saving the EU rhetoric” or because they wanted to maintain their involvement in budgetary and economic issues, even if it happened when the decision had already been taken²⁹. In Cyprus, for instance, although the government had lost the parliamentary majority support at the beginning of 2014, according to these logics various opposition parties voted in favour of passing the crisis-related legislation. In Greece, the Parliament could basically just ratify several decisions concerning anti-crisis measures that had been decided by the executive.

In Ireland there was also a progressive limitation of the EU involvement of the Parliament during the crisis, although its scrutiny functions had been improved in 2002 through the EU Scrutiny Subcommittee of the Joint Parliament Committee for European

parliamentary oversight on the executives, N. Lupo, *Parlamento europeo e parlamenti nazionali nella Costituzione “composita” dell’UE: le diverse letture possibili*, in A. Ciancio (ed.), *Nuove strategie per lo sviluppo democratico e l’integrazione politica in Europa*, Roma, Aracne, 2014.

²⁸ P.K. Kjaer, G. Teubner and A. Febraro (eds.), *The Financial Crisis in Constitutional Perspective. The Dark Side of Functional Differentiation*, Oxford, 2011 and K. Tuori, *The Eurozone Crisis. A Constitutional Analysis*, Cambridge, 2013; see also, on the role of the executives, G. Pasquino, *Governments in European Politics*, in J. Magone (ed.), *Routledge Handbook of European Politics*, *op. cit.*, p. 295 ss.

²⁹ S. Puntischer Riekmann, D. Wydra, *Representation in the European State of Emergency: Parliaments against Governments?*, in *Journal of European Integration*, 35(5), 2013, p. 565 ss.

Affairs³⁰. A few years later (in 2006) also in Portugal the parliamentary Committee of European Affairs was given *ex ante* powers of scrutiny. In spite of its marginal role, the Italian Parliament was considered more active during the last years, in comparison with the legislatures of the other countries most affected by the financial crisis³¹.

5. Asymmetries among the member states: a few final remarks.

The way the crisis affected domestic parliaments varies according to the country, spanning from the changes in the budgetary procedure due to the European semester to the approval of the MoUs in those member states that requested financial assistance. From a wider perspective, the impact of the economic situation on internal politics and its connection with “European preferences” and “markets”³² are evident in the light of numerous cases: between 2011 and 2012, in the midst of the crisis, the failure of economic management led to snap elections in Portugal (with the resignation of Socrates), Greece (after the resignation of Papandreu and the short administration by Papademos), Spain (with the anticipated dissolution of the parliament and the end of Rodríguez Zapatero’s government). Also in Italy, Berlusconi’s resignation in 2011 and the subsequent appointment of Monti as PM were strictly connected to economic policies. Although it may seem logical that governments are held accountable for incorrect performance in economic and financial management, what occurred in these cases went beyond typical democratic accountability. These political crises were also due to external pressures, to a kind of “supranational” accountability, because national governments must, on the one hand, act according to the will of the respective electorates and, on the other hand, meet the

³⁰ On the role of the Parliament in the Irish form of government with reference to the crisis, D.G. Morgan, *The Constitution and the Financial Crisis in Ireland*, *op. cit.*, p. 69 ff.

³¹ K. Auel, O. Höing, *Scrutiny in Challenging Times – National Parliaments in the Eurozone Crisis*, in *SIEPS European Policy Analysis*, 1, 2014.

³² The systemic consequences of such a dynamic were carefully assessed by F. Balaguer Callejón, *Una interpretación constitucional de la crisis económica*, in *Revista de Derecho Constitucional Europeo*, 2013.

expectations of monetary and financial institutions or, in some cases, richer/creditor states³³. This is why the importance of inequality among member states becomes clearer.

Concomitantly, the financial crisis has determined constitutional consequences of great significance at the domestic level, also affecting the balance of power between institutions of the member states. This has depended, at least in part, on the fact that European integration is progressively affecting a habitually domestic domain, i.e. the budgetary function. Moreover, such a function has traditionally been entrusted to parliaments.

The phenomena that have characterized the decision-making process during the crisis at the supranational level, such as the use of the intergovernmental method, informal mechanisms, and international law sources (treaties like the so-called “Fiscal Compact”) have overshadowed even more the functions of the legislatures. A former study taking into account the law-making and deliberative role of the legislatures in Italy and Spain proved a trend of reduction of parliamentary involvement at least until 2015³⁴.

The questions are: a) whether the conclusions on the case studies of this paper (plus Spain) can be applied to all European parliaments, that is, if one can speak of a general tendency towards the weakening of national legislatures and b) how much the trend has reversed after the crisis.

European parliaments, in fact, have not suffered the consequences of the crisis equally, as some have been progressively marginalized over the years, while others have managed to maintain or even strengthen their position³⁵ – the most evident example being the

³³ See G. Grasso, *Il costituzionalismo della crisi. Uno studio sui limiti del potere e sulla sua legittimazione al tempo della globalizzazione*, Naples, Editoriale Scientifica, 2012, p. 18 ss.

³⁴ S. Ragone, *La incidencia de la crisis en la distribución interna del poder entre parlamentos y gobiernos nacionales*, in F. Balaguer Callejón, M. Azpitarte Sánchez, E. Guillén López and J.F. Sánchez Barrilao (eds.), *The Impact of the Economic Crisis on the EU Institutions and Member States*, op. cit., p. 527 ss.

³⁵ A. Benz, *An Asymmetric Two-level Game. Parliaments in the Euro Crisis*, in B. Crum, J.E. Fossum (eds.), *Practices of Interparliamentary Coordination in International Politics*, London, Routledge, 2013, p. 125 ss. From a comparative perspective, I. Ciolli, *I Paesi dell'Eurozona e i vincoli di bilancio. Quando*

German lower chamber, the *Bundestag*, whose functions have been constantly defended through a constitutional jurisprudence³⁶ which has preserved its participation in the process of approval of international treaties related to the crisis, as well as the decisions on financial aids to other states, among others³⁷. Also, the Austrian parliament used the ratification of the reform of art. 136 TFEU to secure more extensive co-decision rights, forcing the government to ask for a sort of previous parliamentary authorization³⁸.

This panorama is characterized by an evident asymmetry. An asymmetry that is linked to the cleavage rich and poor countries and/or creditors and debtors. It is not a coincidence that the latter have weaker parliaments, together with supposedly more unstable economies. Thus, economic inequality can affect the functioning of national institutions and the danger of “second class” parliaments within the EU becomes serious³⁹.

l'emergenza economica fa saltare gli strumenti normativi ordinari, in *Rivista dell'Associazione Italiana dei Costituzionalisti*, 2012, p. 6 ss.

³⁶ Among others, I. Pernice, *Financial Crisis, National Parliaments, and the Reform of the Economic and Monetary Union*, in D. Jancic (ed.), *National Parliaments after the Lisbon Treaty and the Euro Crisis: Resilience or Resignation?*, Oxford, OUP, 2017. See at least the Lisbon decision (*Lissabon Urteil*), BVerfGE 123, 267; and the judgment 2 BvR 1390/12 (September 2012) and the following judgment (March 2014) with regard to the European stability mechanism.

³⁷ O. Höing, *Differentiation of Parliamentary Powers. The German Constitutional Court and the German Bundestag within the Financial Crisis*, in M. Cartabia, N. Lupo and A. Simoncini (eds.), *Democracy and Subsidiarity in the EU. National parliaments, regions and civil society in the decision-making process*, op. cit., p. 255 ss. This aspect is emphasized also by J.E.M. Machado, *The sovereignty debt crisis and the Constitution's negative outlook: a Portuguese preliminary assessment*, in X. Contiades, *Constitutions in the global financial crisis. A Comparative analysis*, op. cit., p. 219 ff. With a focus on Italy in comparison with other cases, N. Lupo, *National and Regional Parliaments in the EU decision-making process, after the Treaty of Lisbon and the Euro-crisis*, in *Perspectives of Federalism*, 2013; G. Rivosecchi, *Il Parlamento di fronte alla crisi economico-finanziaria*, in *Rivista dell'Associazione Italiana dei Costituzionalisti*, 2012.

³⁸ K. Auel, O. Höing, *Scrutiny in Challenging Times – National Parliaments in the Eurozone Crisis*, op. cit.

³⁹ On this issue, see also F. Fabbrini, *Economic Governance in Europe. Comparative Paradoxes and Constitutional Challenges*, Oxford, OUP, 2016.

The way in which the decision-making process has evolved at the European level hardly compensates such deficiencies. The more the European decision-making process was bypassed during the crisis, the more the member states were giving up those guarantees that the European architecture offers to protect minorities. And in this context the relevant “minority” would be constituted by the group of smallest and/or poorest countries⁴⁰, where parliaments were sidelined during the crisis and the centralization of EU coordination converged in the hands of a few actors, as shown in this paper.

Nevertheless, after the most severe years of the crisis have passed, there are legal and constitutional instruments, at both the domestic and the European level, which may foster a regaining of powers by the parliaments, although again not necessarily equally in all the member states⁴¹. Further research will have to assess to what extent the divide between rich/creditor and poor/debtor countries has led to a permanent differentiation between the degree of autonomy and the concrete functioning of institutions at the domestic level according to their economic and financial situation.

Abstract: This paper intersects the study of the coordination of EU policies by domestic executives with the issue of the constitutional effects of the financial crisis. Through a set of five case studies, it examines the patterns of convergence and divergence among EU member states, focusing on the reforms implemented to adapt the coordination mechanisms to the critical situation. It explains the phenomenon of the centralization of EU coordination in the executive, showing which ministers have gained or lost power. Finally,

⁴⁰ M. Dawson, F. De Witte, *Constitutional Balance in the EU after the Euro-Crisis*, in *Modern Law Review*, 2013, p. 818.

⁴¹ In general, C. Fasone, *National Parliaments in the Eurozone crisis: challenges and opportunities*, in *Torunskie Studia Polsko-Wloskie – Studi Polacco-Italiani di Torun*, 11, 2015, available at <http://apcz.umk.pl/czasopisma/index.php/TSP-W/article/view/TSP-W.2015.001>, and M. Goldoni, *National Parliaments after the Euro Crisis: Resignation, Adaptation, and Reaction*, 2018, available at SSRN: <https://ssrn.com/abstract=3111733>).

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Domestic Response to the Financial Crisis: Reforms of Executive Branches in Economically Weak Countries of the Eurozone

it deals with the changes to the role of parliaments as one element of the complex relationship between (debtor) member states and the EU.

Keywords: Financial Crisis; Economic Inequality; EU Policy Coordination; Executive Branch

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