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# **Reinforcing the asymmetry of parliamentary influence in EMU policy-making: the role of national parliaments in the ESM<sup>1</sup>**

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## **Abstract**

This paper investigates the varying patterns of influence of national parliaments in EMU policy-making. It states that parliamentary influence in the newly established European Stability Mechanism (ESM) is subject to increased variation that promotes the worrying establishment of first and second class parliaments. This asymmetry of parliamentary influence has so far been neglected in the academic literature, but poses crucial questions of the democratic legitimacy of EMU policy-making

The aim of this paper is to analyse the factors responsible for the varying parliamentary influence in the ESM with a fuzzy set qualitative comparative analysis (fsQCA). Why did some parliaments opt for strong parliamentary participation rights, and others not? Which factors account for this variation? The paper argues that a strong economic condition is not sufficient to explain parliamentary involvement, but needs to be combined with either strong participation rights in domestic EU affairs or strong levels of Euroscepticism. Weak macro-economic conditions explain, in most cases, why parliaments could not secure strong influence in ESM affairs.

This empirical evidence leads to the more normative question: what does this asymmetric involvement of parliaments say about the democratic legitimacy of EMU policy-making?

**Key words:** National Parliaments, Economic and Monetary Union, Qualitative Comparative Analysis, Parliamentary Participation Rights, Democratic Legitimacy.

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<sup>1</sup> The article is based on my (forthcoming) PhD project.

## Introduction

In 2011, the German Constitutional Court (Bundesverfassungsgericht, *BVerfG*) issued its first judgement on the constitutionality of the European Financial Stability Facility (EFSF) (German Constitutional Court, 2011). The claim was accepted on the grounds that democratic principles could potentially be violated.<sup>2</sup> It was the first time the BVerfG accepted such a claim for an intergovernmental treaty.

In intergovernmental treaties, the participating parties have by definition a stronger say. Consensus requirements are normally high and possibilities to veto decisions low. The EFSF judgment therefore exceeded the jurisdiction of the BVerfG from supranational to intergovernmental treaties. It was thus qualitatively different from the Lisbon or Maastricht Judgment where the Court decided on a permanent transfer of legislative competences to the European level (both treaties were declared constitutional, although the government had to enhance parliamentary participation rights in both cases).

If the EFSF was already regarded as a potential violation of democratic principles, this applied even more the European Stability Mechanism (ESM), designed as a permanent institution with a much higher lending capacity than its predecessor. Eurozone member states guarantee with their ECB share for a maximum of € 750 billion. The maximum share of guarantees for Germany (approx. € 160 billion) is more than half of the annual German budget (€310 in 2014). Although potential guarantees and actual expenditures cannot reasonably be compared, the numbers exemplify that parliaments of the Eurozone have potentially given away considerable decision-making powers over their own national budget. This turns the sovereign debt or Eurozone crisis also into a political crisis and consequently a crisis of democracy. Who is authorised to take decisions on financial assistance for economically threatened member states? In how far should democratically elected chambers be involved in this process? What does the asymmetry of parliamentary involvement mean for the democratic legitimacy of EMU decision-making?

Indeed, parliamentary prerogatives in the domain of ESM decision-making are subject to huge variation and have not yet received much scholarly attention. Budgetary competences have not been included in the assessment of parliamentary powers in EU affairs (on the assessment of parliamentary powers see for instance Auel *et al.* forthcoming, Karlas, 2012, Maurer and

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<sup>2</sup> Specifically, three groups of plaintiffs argued that the right to vote (Art. 38(1) of the German Basic Law) was undermined. Obligations of the EFSF would not allow the German Bundestag to freely decide on public revenues and expenditures and would therefore make elections to the German parliament meaningless (Deutscher Bundestag, 2011).

Wessels, 2001). This article argues that budgetary competences – the key prerogative of national parliaments – must be treated as its own category in order to comprehensively assess parliamentary influence in EU, and specifically in EMU policy-making. These participation rights constitute the most fundamental evidence for parliamentary powers not only drifting apart *between* Eurozone and non-Eurozone countries, but also *within* the Eurozone itself.

This paper investigates the factors that account for the uneven distribution of participation rights within the ESM. It first presents empirical evidence for the uneven distribution of ESM participation. The next section develops hypotheses on three dimensions that can potentially explain the varying parliamentary involvement: the classical assumption that formal prerogatives in EU affairs account for influence (Bergman, 1997; Dimitrakopoulos, 2001; Holzhaecker, 2005; Karlas, 2012); the idea that Euroscepticism influences the degree to which parliaments are involved (Raunio, 2005; see for instance Serricchio *et al.*, 2013); and the macro-economic situation of a country accounting for variation (Hall, 2012). The last part of the article presents the data and tests the theoretical assumptions with a fuzzy set qualitative analysis (fsQCA). The last section concludes.

## **Parliamentary involvement**

In order to assess the parliamentary participation rights of all 17 Eurozone countries (as of 2012), a questionnaire has been sent to permanent representative of national parliaments in Brussels, as well as to members of Budget, Finance and European Affairs Committees between March 2013 and April 2014. It contained the following questions:

1. Does your parliament take a vote on each sovereign aid packages within the ESM framework?
2. Does your parliament decide on each financial tranche within sovereign aid packages (or modifications of the sovereign aid packages)?
3. Is the government obliged to report on activities within the ESM framework?

A formal vote on the issuing of financial guarantees indicates strong parliamentary participation; the government representatives must seek prior approval before a decision in

the Council of Governors in the ESM can be taken.<sup>3</sup> The parliamentary involvement for the release of each financial tranche allows parliaments to assess whether the conditionality of financial assistance has been fulfilled (which is regularly assessed by the so-called Troika), or whether they issued a countercheck, defying further parliamentary control.<sup>4</sup> The last question addresses specific information obligations the government has towards the national parliament. Since a relatively huge variety of information obligation is expected, the question was openly formulated.<sup>5</sup>

#### *Five different types of parliamentary involvement*

Based on this information, five different types of parliaments have been formed inductively (see figure 1). They partly overlap: a parliament taking a formal decision on the release of each financial tranche (type 1, quasi-veto powers) within a sovereign aid package also takes a formal decision on the sovereign aid packages as such (type 2, partial veto power). This also includes that parliamentary bodies are consulted about ESM-related decisions (type 3, consultative role) which again requires the right to access specific information on ESM activities via the government (type 4, min. information rights). In type 5 are those parliaments that do not even possess regular (written) information rights by the government.

The major difference is between those parliaments that are institutionally involved in the release of sovereign aid packages (type 1 and 2) and those that are not (type 3,4 and 5): this (non-)involvement constitutes a major qualitative difference, while the classification of the other three types show differences in the degree of involvement. Estonia, Finland, Germany and the Netherlands have by far the strongest formal participation rights, being the only parliaments that – as a general rule – authorize their government representatives before deciding on the release of sovereign packages *and* on the release of financial tranches therein. The Austrian parliament possesses partial veto powers; it normally pre-defines the individual tranches within an aid package and is therefore not legally involved in their release. In France and Italy, special provisions exist that oblige the government to inform certain parliamentary

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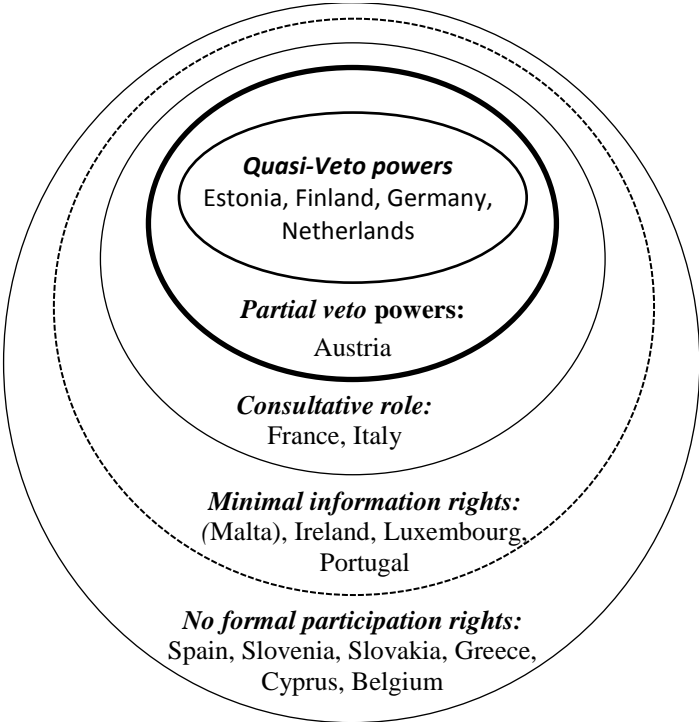
<sup>3</sup> Respondents were then asked to specify whether the entire plenary takes the decision, or whether the decision is delegated to parliamentary bodies such as committees or even special committees that were only established for that very purpose

<sup>4</sup> In principle, a sovereign aid package can already set pre-defined amounts of financial tranches. The money is not paid out all at once, but distributed over the period of the programme. The receipt of financial assistance requires conditionality which is assessed on a regular basis by external evaluators. Most important are the assessment reports from the so-called Troika (European Commission, European Central Bank and the International Monetary Fund).

<sup>5</sup> Regular information on ESM activities is a pre-condition for effective scrutiny. Whether parliaments are only informed upon request, or whether they automatically receive information before a decision in the Board of Governors of the ESM is taken influences their ability for effective parliamentary control. In all cases, respondents had the possibility to include further comments in the questionnaire.

bodies before agreeing to financial assistance – although the approval of these parliamentary chambers is not required. In Malta, Ireland, Luxembourg and Portugal, a minimum of information rights exist that have been written down, while these provisions are absent in the remaining six countries. This is not to say that parliamentarians or political party groups cannot ask questions to the government, and that these governments are not obliged to respond. However, the information rights have not been written down.

**Figure 1: Typology of parliamentary ESM participation**



**Source 1: Own presentation.**

**Conditions for strong parliamentary involvement**

Why did some parliaments adopt strong participation rights within the ESM mechanisms and others did not? Specifically: *Which factors can explain the varying levels of parliamentary influence in the ESM?* Instead of deriving causal mechanisms from established theoretical approaches, I derive three guiding assumptions from the literature that have a number of features in common: First, they are all based on a rational choice logic. Second, explanations for the observed outcome can be found on the level of actors (as opposed to structuralist or culturalist approaches). And third, all parliamentarians and political party groups have similar preferences to begin with. However, these preferences are altered by different institutional and political factors which explain the variation in parliamentary participation.

## ***Macro-economic situation***

First, I assume that the macro-economic situation of a country influences the parliament's position within the crisis management. In doing so, it is less the institutional set-up of market economies which account for differences in parliamentary involvement in ESM affairs (Albert, 1992; Esping-Andersen, 1990; Hall & Soskice, 2011; Höpner & Schäfer, 2010; see for instance Rhodes & Van Apeldoorn, 1997), but in a broader sense the macro-economic *performance* of Eurozone member states. Fritz Scharpf observes a loss of parliamentary autonomy, giving summit resolutions or ECOFIN agreements a take-it-or-leave-it character “that no member-state parliament[...] [can] afford to reject” (Scharpf, 2012: p. 25). Although Scharpf argues that all national parliaments are affected by this development, he points out that especially the debtor countries were exposed to pressure from non-national actors that have so far been without precedent (Scharpf, 2012: p. 27). Also Aleksandra Maatsch, in 2013, tries to explain the positioning of political parties towards the crisis management with the distinction between debtor and donor countries (Maatsch, 2013).<sup>6</sup> Arthur Benz observes a growing parliamentary asymmetry during the crisis with the dividing line between parliaments from economically strong and from economically weak countries (see Benz, 2012).

In fact, an increasing North-South divide can be diagnosed that poses a serious obstacle for the further economic integration of the Eurozone. This gap was largely unobserved and neglected in the first decade of the monetary union: “There is now a widespread consensus that financial markets in the eurozone were systematically wrong when during 2001–08 they were charging the same risk premium on Greek and German government bonds despite huge differences in debt-to-GDP ratios of these countries” (De Grauwe & Ji, 2012, p. 878). However, this economic division influenced the discussion on the concrete arrangements of national accompanying laws to the ESM treaty significantly. Northern countries demanded strict conditionality in exchange for financial assistance (see for instance Katsikas, 2012, p. 53) (on the German Bundestag's reticence to approve bailout packages see among others Powell & Steinberg, 2012, p. 59). The assessment whether programme countries would be able to pay back their credits or not became as controversial in some Eurozone parliaments as the question who should take that decision and be accountable for it. As Hopkin puts it, “countries such as Germany, Netherlands and Finland fear[ed] that a bailout would create a lasting relationship of dependency of the debtor nations on their more creditworthy neighbours” (Hopkin, 2012, p. 36). Finland, for instance, demanded exceptional guarantees in exchange for the agreement to the Portuguese bailout package. In Germany, numerous law suits were filed against the ESM, arguing that the German Bundestag does not have sufficient

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<sup>6</sup> She finds that political parties in debtor countries are more likely to advocate for Keynesian anti-crisis measures – independent of their ideological party positioning – while parties in donor countries are more likely to advocate for neo-liberal anti-crisis measures.

means to control the issuing of financial guarantees. In Austria, the opposition Green party demanded stronger parliamentary participation in the ESM in exchange for support of the Fiscal Compact (see for instance Puntischer Riekmann & Wydra, 2013, p. 579).

Southern European countries, on the other hand, did not necessarily share the concern of insufficient parliamentary involvement. Italy's former Prime Minister, Mario Monti, declared in an interview in 2012: "If governments allow themselves to be entirely bound to the decisions of their parliament, without protecting their own freedom to act, a break-up of Europe would be a more probable outcome than deeper integration".<sup>7</sup> Although Monti's comment enraged numerous German politicians, the statement passed almost unnoticed in Italy. Monti, himself an un-elected technocrat, somehow "unbound" to the parliament as a precondition for accepting to govern, feared that parliamentary involvement would hamper efficient decision-making. Based on this empirical evidence, I formulate the first guiding assumption:

*Guiding Assumption 1: Countries that are in a favourable economic situation adopt stronger parliamentary participation rights within the ESM than economically weaker countries.*

Countries in an economically strong condition can regard stronger parliamentary involvement as an appropriate tool to safeguard economic and political interests. Countries in economically weaker conditions (that either already requested financial assistance from the ESM or had to anticipate that such a step might become necessary in the foreseeable future) had an interest in guaranteeing that decision-making procedures are not slowed down by extensive parliamentary involvement. It is therefore rational to opt for stronger respectively weaker parliamentary involvement, depending on the macro-economic situation of the country.

### ***Political contestation***

Evidence from the literature also suggests, however, that the degree to which the European Integration process is contested domestically impacts on parliamentary involvement (Abbarno & Zapryanova, 2013). Raunio has shown that the involvement in domestic EU affairs depends on the one side on the formal prerogatives of NPs, but also on the presence of Eurosceptical parties in parliament (Raunio, 2005). The degree of contestation is therefore expected to have an effect on parliamentary participation rights and on parliamentary activity. Since the ratification of the ESM treaty is about redistributive policies, it can be assumed that the topic is even more controversial than classical EU topics.

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<sup>7</sup> <http://www.spiegel.de/international/europe/monti-comments-on-parliaments-in-euro-crisis-anger-german-politicians-a-848455.html>.



Nowadays, Eurosceptical parties are often framed as being part of the so-called “new politics” (Hooghe, Marks, & Wilson, 2002). Political systems are assumed to respond and adapt to these emerging challenges. David Easton, in 1979, defined the responsiveness of political systems as

*“...first, that the authorities are willing to take information into account and give it consideration in their outputs and second, that they do so positively in the sense that they seek to use it to help avert discontent or to satisfy grievances over initial outputs or some unfulfilled demands. Responsiveness of authorities will vary from extreme sensitivity to stony impermeability to the wants and demands of the politically relevant members of the system”* (Easton, 1979, p. 434).

While the ratification of the EFSF and its accompanying laws was carried out under immense time pressure in May 2010, the ratification of the ESM was preceded by a longer time of public deliberations. Eurosceptical parties had chances to pick up the issue and to publicly hold the government accountable. In some countries, individual MPs and political parties announced to file law suits against the ESM, also on the grounds that democratic principles were violated by the new mechanism. The ratification of the ESM treaty was therefore accompanied by two accumulating trends that make an impact of Eurosceptical sentiments on parliamentary prerogatives more likely: First, financial guarantees to financially stricken member states cover a sensible part of parliamentary sovereignty. Second, although the rise of Eurosceptical parties is a more long-term trend, the ratification offered an ideal window of opportunity for Eurosceptical parties to publicly hold the government accountable. The high media attention during the ratification process underlines this argument. I therefore formulate the second guiding assumption as follows:

*Guiding Assumption 2: The stronger Eurosceptical sentiments are – expressed in public opinion polls or by the presence of Eurosceptical parties in parliament – the stronger parliamentary participation rights within the ESM are.*

This guiding assumption is purposefully not formulated in a way that assumes that more Europhile parliament to renounce voluntarily from strong parliamentary prerogatives. However, as long as the permissive consensus (Lindberg & Scheingold, 1970) prevailed in a political system, and neither strong Eurosceptical sentiments were expressed in public opinion or by Eurosceptical parties in parliament, electoral incentives to be gained from establishing stronger parliamentary participation were low. The guiding assumption is therefore directed to political systems in which Eurosceptical sentiments are strong, without making predictions on political settings in which they are absent.

### *Institutionalist perspective*

To fully understand the question of parliamentary involvement within the ESM, one has to recall that the European Stability Mechanism is an intergovernmental setting. Any parliamentary involvement in intergovernmental settings is rather the exception than the norm since they are usually dominated by executive actors. This fact is underlined in the literature where strong or weak parliamentary involvement in EU affairs always focussed on the scrutiny abilities of parliaments in a supranational EU settings (Bergman, 1997; see for instance Karlas, 2012; Maurer & Wessels, 2001)<sup>8</sup>. The literature on national parliamentary involvement assumes that parliaments differ significantly in how far they are able to effectively scrutinize EU affairs, either by processing the information that is put forward to them or by instructing their national government on certain policy fields.

While formal scrutiny powers in a supranational setting are a consequence of a real transfer of competences to the EU level, the participating countries in an intergovernmental context have by definition a stronger say. The question arises whether parliaments were able to transfer their scrutiny powers in supranational settings to the intergovernmental design of the ESM for which the stakes are usually higher since executives play a major role.

Approaches dealing with the concept of path-dependency analyse “how institutions emerge from and are embedded in concrete temporal processes” (Thelen, 1999, p. 371). I assume that there is reason to believe that strong parliamentary prerogatives in (supranational) EU affairs make the transfer of these powers to the intergovernmental ESM more likely. Stronger parliamentary involvement in ESM affairs is a legacy of former historical processes, namely the participation rights in EU affairs. In the words of Cathleen Thelen:

“Crucial *founding moments* of institutional formation [...] send countries along broadly different developmental paths; [...] institutions continue to evolve in response to changing environmental conditions and ongoing political maneuvering but in ways that are constrained by past trajectories” (Thelen, 1999: 387).

The established institutional formation of strong participation requirements in EU affairs is therefore expected to affect parliamentary behaviour when decisions on the ESM accompanying laws were taken. The decision on the extent of parliamentary involvement was constrained by past trajectories. Parliamentarians had long fought for a stronger say in EU

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<sup>8</sup> Supranational settings cover those areas where national parliaments legally conferred decision-making competences to the European level. The member states’ governments still exercise influence in the Council, and political party groups can try to influence their counterparts in the European Parliament

affairs which they were not willing to give up within the European Stability Mechanism. In order to understand this process of emerging scrutiny powers of parliaments in EU affairs it is necessary to have a look at its evolutionary development.

I therefore expect a path-dependent logic to be at work that is – even under new circumstances – relatively resistant to change. I therefore formulate the third guiding assumption as follows:

Guiding assumption 3: *The more formal powers a parliament possesses in the handling of EU affairs, the stronger the parliamentary participation rights within the ESM.*

The previous parliamentary involvement in EU affairs is expected to constitute a trajectory that parliamentarians are not likely to deviate from. Parliamentarians have an interest in keeping the formal prerogatives they already acquired in a supranational setting. For formally weak parliaments, on the other side, weak parliamentary involvement in ESM affairs does not constitute a deviation from previous trajectories.

## **Method**

To compare the formal participation rights of all 17 Eurozone parliaments within the ESM, a set-theoretic method<sup>9</sup> - qualitative comparative analysis (QCA) - will be conducted. Fuzzy set QCA (fsQCA) allows for a systematic cross-case comparison in an intermediate-N research design. At the same time, sufficient attention can be paid to the within-case complexity of comparisons. It is therefore not only a data analysis technique, but also research approach (see Rihoux, Ragin, Charles, 2009). Another advantage is that it can look at a *combination* of explanatory ‘conditions’ for a certain outcome, rather than attributing it to the impact of a single variable. Interview trips to Berlin, Dublin and Lisbon serve as background information. Their insights complement the findings of the QCA approach.

## **Data**

In order to assess the economic situation of a country, data from different secondary sources comprising information for the year 2012 on 1) the total government debt, 2) the GDP growth,

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<sup>9</sup> *Set-theoretic methods are approaches to analyzing social reality in which (a) the data consists of set memberships scores; (b) relations between social phenomena are modeled in terms of set relations; and (c) the results point to sufficient and necessary conditions and emphasize causal complexity in terms of INUS and SUIN causes (Schneider & Wagemann, 2013)*

3) the unemployment rate, 4) the average credit rating by the three big rating agencies<sup>10</sup>, 5) the GDP per capita and 6) and the interest rate on ten year government bonds. Having a look at a variety of different macro-economic variables allows for a robust measurement to assess the economic situation of a country. Eurosceptical attitudes were measured on the basis of a 2012 Eurobarometer; Euroscepticism in parliament was calculated on the basis of the Chapel Hill index of 2010. Lastly, parliamentary strength in EU affairs was assessed with two rankings published in high quality journals (Karlas 2012, Auel et. al 2015, forthcoming). I chose two of the most recent rankings published in leading journals that comprise all parliaments under investigation. All raw data can be found in Table 4 (see appendix).

### ***Calibration of variables***

In order to conduct a fuzzy-QCA, all variables were transformed into inductively derived categories, a process called calibration.

**Table 1: Verbal description of fuzzy-set membership scores**

Fuzzy value	The element is...
1	Fully in
0.9	Almost fully in
0.8	Mostly in
0.6	More in than out
0.5	Crossover: neither in nor out
0.4	More out than in
0.2	Mostly out
0.1	Almost fully out
0	Fully out

**Source 2: Adapted from Ragin 2000: 156** (quoted in: Schneider & Wagemann, 2013, p. 29)

Fuzzy membership allows cases to have a partial membership in a given set. Cases can be fully in a given set (1), have – to varying degrees - partial membership or no membership (0) (see table 1). The attributed values correspond to theoretical considerations which *can* make – if substantially justified - variation in the raw data irrelevant. The fuzzy values are therefore

<sup>10</sup> The average sovereign credit rating per year was calculated by the three largest rating agencies (Moody's, Standard and Poor's and Fitch Ratings) between 2010 and 2012 with data provided by Rogers *et al.* (2013). Based on the 16 highest classifications used by all three rating agencies, I assigned numbers from 16 ('prime rating', 'triple A') to 0 ('substantial risk' or 'default') and calculated averages for each country by year.

“linguistic qualifiers” which help to connect quantitative assessments to natural language (Schneider & Wagemann, 2013, p. 31)<sup>11</sup>, bringing them closer to concepts we are operating with in our day-to-day language.

I derive the all categories for the three dimensions inductively. The variables are normalized on a zero-to-one scale. Table 2 presents the findings.

**Table 2 Calibration of dependent and independent variables**

Countries	Dependent Variable	Independent Variables					
		Macro-Economic (A)	macro-economic (a)	Euroscepticism (B)	Euroscepticism (b)	Institutional Strength (C)	Institutional strength (c)
<b>Austria</b>	0.8	1.0	0.0	1.0	0.0	0.4	0.6
<b>Belgium</b>	0.0	0.7	0.3	0.4	0.6	0.0	1.0
<b>Cyprus</b>	0.0	0.0	1.0	0.8	0.2	0.0	1.0
<b>Estonia</b>	0.9	0.7	0.3	0.2	0.8	1.0	0.0
<b>Finland</b>	0.9	1.0	0.0	0.6	0.4	1.0	0.0
<b>France</b>	0.4	0.7	0.3	0.4	0.6	0.4	0.6
<b>Germany</b>	0.9	1.0	0.0	0.4	0.6	1.0	0.0
<b>Greece</b>	0.0	0.0	1.0	0.8	0.2	0.0	1.0
<b>Ireland</b>	0.1	0.3	0.7	0.4	0.6	0.0	1.0
<b>Italy</b>	0.4	0.3	0.7	0.4	0.6	0.4	0.6
<b>Luxembourg</b>	0.1	1.0	0.0	0.2	0.8	0.0	1.0
<b>Malta</b>	0.1	0.7	0.3	0.2	0.8	0.2	0.8
<b>Netherlands</b>	0.9	1.0	0.0	0.8	0.2	0.8	0.2
<b>Portugal</b>	0.1	0.0	1.0	0.8	0.2	0.8	0.2
<b>Slovakia</b>	0.0	0.3	0.7	0.6	0.4	0.6	0.4
<b>Slovenia</b>	0.0	0.3	0.7	0.4	0.6	0.8	0.2
<b>Spain</b>	0.0	0.0	1.0	0.4	0.6	0.0	1.0

Source 3 Own calculations.

The dependent variable shows five different fuzzy set values. 0,9 is attributed to those parliaments deciding on both – sovereign aid packages and the release within – while 0,8 is only for those that decide on sovereign aid packages only. 0,4 – and therefore a much lower fuzzy value – is attributed to those parliaments in which certain parliamentary bodies must be consulted. The qualitative difference between the first two groups and the last three groups (see figure 1) can therefore be displayed on the fuzzy scale. 0.1 is attributed to those parliaments which possess minimal information rights that are written down, and 0 for the

<sup>11</sup> To give an example: if GDP per capita is taken as an indicator for richness, Qatar (\$88.500) and Norway (\$52.000) can both receive a membership score of 1 in the set of rich countries, if such as classification does not affect the theoretical argument.

remaining ones. These six countries are fully out of the set of parliaments which participation rights in the ESM.

The fuzzy values for the independent variables were calibrated accordingly, based on the empirical knowledge of the author (for a detailed discussion see Höing, forthcoming). Table 2 lists the presence and the absence of a given condition. If Finland, for instance, is fully in the set of economically strong countries ( $A = 1$ ), it possess no membership in the set of economically weak countries ( $a = 0$ ).

## First empirical insights

This data matrix is now converted into a truth table.

**Table 3: Truth table for combination of conditions**

Countries	DV	Combinations of conditions							
		ABC	ABc	AbC	Abc	aBC	aBc	abC	abc
Austria	0.8	0,4	<b>0,6</b>	0	0	0	0	0	0
Belgium	0	0	0,4	0	<b>0,6</b>	0	0,3	0	0,3
Cyprus	0	0	0	0	0	0	0	0	<b>0,8</b>
Estonia	0.9	0,2	0	<b>0,7</b>	0	0,2	0	0,3	0
Finland	0.9	<b>0,6</b>	0	0,4	0	0	0	0	0
France	0.4	0,4	0,4	0,4	<b>0,6</b>	0,3	0,3	0,3	0,3
Germany	0.9	0,3	0	<b>0,7</b>	0	0	0	0	0
Greece	0	0	0	0	0	0	<b>0,8</b>	0	0,2
Ireland	0.1	0	0,3	0	0,3	0	0,4	0	<b>0,6</b>
Italy	0.4	0,3	0,3	0,3	0,3	0,4	0,4	0,4	<b>0,6</b>
Luxembourg	0.1	0	0,2	0	<b>0,8</b>	0	0	0	0
Malta	0.1	0,2	0,2	0,2	<b>0,7</b>	0,2	0,2	0,2	0,3
Netherlands	0.9	<b>0,8</b>	0,2	0,2	0,2	0	0	0	0
Portugal	0.1	0	0	0	0	0	<b>0,6</b>	0	0,4
Slovakia	0	0,3	0,3	0,3	0,3	<b>0,6</b>	0,4	0,4	0,4
Slovenia	0	0,3	0,2	0,3	0,2	0,4	0,2	<b>0,6</b>	0,2
Spain	0	0	0	0	0	0	0,4	0	<b>0,6</b>

**Source 4: Own presentation**, bold letters indicate the respective ideal type.

The number of truth table rows based on fuzzy sets is given by the formula  $2^k$ , while  $k$  is the number of conditions. From the three conditions outlined above, eight possible combinations of conditions are possible, calculating to what degree a country is a member of combination of a given set. Each case has a partial membership not only in its ideal type, but also in all of the other corners of the property space. However, there is only one combination in which a country has a higher membership score than 0.5.<sup>12</sup>

*Strong formal ESM participation rights*

From the five countries that have rather strong participation rights in the ESM, three different ideal types of subset relations can be defined:  $ABc$  (Austria) +  $ABC$  (Finland, Netherlands) +  $AbC$  (Estonia, Germany)  $\rightarrow Y$ . These three combinations all show the outcome of strong parliamentary involvement. This formula is called the most complex solution term; all of the conditions can be defined as sufficient for the outcome. There are no contradictions since none of these combination shows empirical evidence for the outcome “weak parliamentary involvement”, i.e. the negation of the outcome. However, in order to interpret these subset relations, I apply Boolean minimization:

$$\begin{array}{l}
 \text{(1) } \mathbf{ABc} + \mathbf{ABC} + \mathbf{AbC} \rightarrow Y \\
 \begin{array}{ccc}
 \downarrow & \swarrow & \downarrow \\
 \swarrow & & \swarrow
 \end{array} \\
 \text{(2) } \mathbf{AB} + \mathbf{AC} \rightarrow Y
 \end{array}$$

The first two solution terms imply that the simultaneous presence of a strong macro-economic situation, strong Eurosceptical attitudes and either the presence or absence of strong formal prerogatives lead to strong ESM involvement. Following Boolean minimization, the presence or absence of strong formal prerogatives in EU affairs does not seem to impact on ESM involvement; it is consequently left out in the minimized solution term. Similarly, the second and the third solution term differ in the absence or presence of Eurosceptical attitudes; they can consequently be eliminated from the solution term. When  $A$  is factored out, the following solution term is derived, which is called the most parsimonious solution term.

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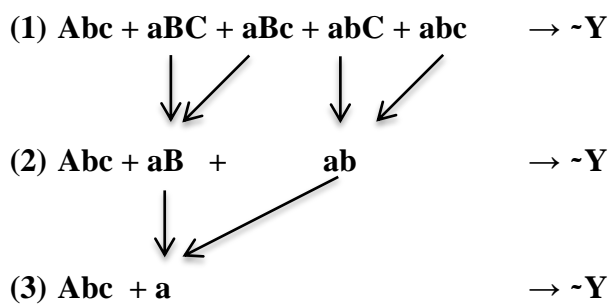
<sup>12</sup> Take the example of Austria. If we want to test to what degree Austria is a member of the set of countries with a strong macro-economic conditions ( $A = 1$ ), strong Euroscepticism ( $B = 1$ ) and strong formal prerogatives ( $C = 0,4$ ), it is attributed a value of 0,4 in the combination  $A*B*C$ . Austria is consequently only partially in the set of countries that are economically strong *and* have strong Eurosceptical sentiments *and* strong formal prerogatives in EU affairs (in Boolean algebra, the logical AND operator always measures the “weakest link in the chain”(Schneider & Wagemann, 2013, p. 44ff) since it is only interested in a subset where all three conditions are present. If we assess, however, the degree to which Austria is a member of set of countries with strong macro-economic conditions ( $A = 1$ ), strong Euroscepticism ( $B = 1$ ), but weak formal prerogatives ( $c = 0,6$ ), it receives a membership score of 0,6. Austria’s membership score is therefore the greatest in the subset of  $A*B*c$ .

$$(3) A * (B+C) \rightarrow Y$$

A good macro-economic situation is a necessary condition for strong parliamentary involvement in ESM affairs. However, it is not sufficient. It is only sufficient if it is combined with either a high degree Euroscepticism, strong parliamentary involvement in EU affairs or both. The consistency of the three sufficient conditions is around 68%.<sup>13</sup>

*Weak formal participation rights*

From twelve countries that have rather weak parliamentary participation rights within the ESM, five different (ideal) subset relations can be defined: *Abc* (Belgium, France, Luxembourg, Malta) + *aBC* (Slovakia) + *aBc* (Greece Portugal) + *abC* (Slovenia) + *abc* (Cyprus, Ireland, Italy, Spain)  $\rightarrow \sim Y$ . With the empirical evidence at hand, all of these solution terms account as sufficient conditions for the outcome “weak participation rights” (in QCA terms it would be more precise to speak of the “absence of strong participation rights”). In order to interpret these subset relations, the Boolean minimization process is applied in two steps:



The second and third as well as the fourth and fifth solution term contain conditions that are present or absent and can therefore be eliminated (strong or weak prerogatives in EU affairs). In the next step, the presence or absence of Eurosceptical sentiments in the second and third solution term does not impact on the outcome and can therefore be eliminated. The most parsimonious solution term (line three) reveals that a strong economic situation in combination with weak Euroscepticism and weak institutional prerogatives leads to weak parliamentary ESM involvement. This supports the previous argument that a good economic situation is not sufficient to explain strong parliamentary involvement, but needs to be combined with other factors.

The second part of the most parsimonious solution term reveals that weak macro-economic conditions lead to weak parliamentary involvement, independent of other factors. The consistency of the sufficient conditions is 63,13%.

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<sup>13</sup>  $\text{Consistency}_{\text{Sufficient Conditions } (x_i \leq y_i)} = \frac{\sum_{i=1}^I \min(X_i, Y_i)}{\sum_{i=1}^I X_i}$



## Discussion

Comparing the macro-economic situation with the ESM participation rights in a first step reveals a rather uneven picture. Although the majority of the economically weaker countries possess only marginal ESM participation rights, economically stronger countries do not necessarily adopt strong participation rights. The four biggest outliers are Estonia, Luxembourg, Belgium and Slovenia<sup>14</sup> which are all in a relatively good (or above average) economic condition, but adopt either rather strong or hardly any parliamentary participation rights within the ESM: Luxembourg, Belgium and Slovenia are hardly not involved, while Estonia possesses some of the strongest participation rights in ESM affairs. If these countries have a comparable economic situation, where do they differ?

Looking at the formal participation rights in EU affairs, Germany and Estonia score quite high (along with the Netherlands, Finland and to a lesser degree Slovakia or Slovenia). Based on the limited empirical evidence, the combination of a good economic situation AND strong formal powers in EU affairs seem to favour stronger parliamentary involvement in EU affairs. The difference between Estonia, Luxembourg, Belgium and Slovenia is that only Estonia possessed strong formal prerogatives in EU affairs and was able to transfer them to the intergovernmental ESM setting.

This, however, leaves the case of Austria unexplained. Austria has also been in a favourable economic condition (as of 2012). Similar to Luxembourg or Belgium – although to lesser degree - the formal prerogatives in EU affairs of the Austrian parliament are weak. In other words, why did Austria adopt stronger parliamentary prerogatives in ESM affairs, and not Luxembourg or Belgium? Recall: all countries had comparable economic conditions and comparably strong prerogatives in EU affairs. One explanation is that Austria (together with Finland and the Netherlands) has quite strong Eurosceptical parties in parliament as well as a Eurosceptical public. The second hypothesis assumed that countries in which Eurosceptical sentiments are strong provide more incentives for political parties to establish stronger participation rights in ESM affairs. This seems to have been the case in Austria.

This finding is confirmed by the counter examples, i.e. if we test the negation of the outcome. Luxembourg, Slovenia or Belgium have all been in a comparable healthy, but neither possessed strong formal prerogatives nor strong Eurosceptical sentiments. The stronger

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<sup>14</sup> The macro-economic data is all from 2012. Slovenia experienced severe problems with its banking sector from 2013 onwards.

economic situation did therefore not translate into stronger parliamentary prerogatives in ESM affairs since other sufficient conditions were absent.

A good economic condition is therefore not sufficient to explain either parliamentary involvement or non-involvement. In order for parliaments to get strongly involved in ESM affairs, they also need to possess either strong Eurosceptical sentiments, strong formal prerogatives EU affairs or both.

The fsQCA indicates that a combination of factors is responsible for strong or weak participation rights in ESM affairs. Future research should analyse cases in more detail, especially those that have only partial membership in a given set.

The classification of parliamentary involvement should also be considered when assessing parliamentary prerogatives in EU affairs more generally. The fact not even a third of Eurozone member states can legally decide on the release of sovereign aid packages within the ESM sheds lights on a growing asymmetry of parliamentary power that has the potential to undermine the democratic legitimacy of EMU decision-making.

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## Appendix

**Table 4: Raw data, dependent and independent variables**

Countries	ESM Participation Rights	Macro-economic Factors (2012)						Political Factors		Institutional Factors
		GDP Growth <sup>i</sup>	Gov. Debt <sup>ii</sup>	Unemploy. rate <sup>iii</sup>	GDP per capita <sup>iv</sup>	Credit Rating	Interest Rates on ten year gov. bond	Euroscop. Parties in Parl	Euroscop. Public <sup>15</sup>	Parl. Strength
<b>Austria</b>	0.8	0,9%	74,5%	4,3%	130	15,8	2,79	4,49	42	52,59
<b>Belgium</b>	0	-0,1%	101,1%	7,6%	120	14,6	3,56	5,91	23	20,34
<b>Cyprus</b>	0	-2,4%	111,7%	11,9%	91	8,2	7	4,82	21	23,92
<b>Estonia</b>	0.9	3,9%	10%	10%	71	12	n.a.	6,09	15	68,92
<b>Finland</b>	0.9	-1,0%	57,0%	7,7%	115	16	2,11	5,59	31	77,42
<b>France</b>	0.4	0,0%	93,5%	9,8%	109	15,8	2,91	5,98	26	50,42
<b>Germany</b>	0.9	0,7%	78,4%	5,5%	123	16	1,63	5,57	25	68,17
<b>Greece</b>	0	-7,0%	175,1%	24,5%	76	1	25,07	5,18	37	21,34
<b>Ireland</b>	0.1	0,2%	123,7%	14,7%	129	8,07	7,12	6,21	26	27,84
<b>Italy</b>	0.4	-2,4%	132,6%	10,7%	100	11,13	5,75	5,23	21	45,92
<b>Luxembourg</b>	0.1	-0,2%	23,1%	5,1%	263	16	2,05	6,67	20	31,50
<b>Malta</b>	0.1	0,8%	72,6%	6,3%	86	11,13	4,25	6,00	19	33,42
<b>Netherlands</b>	0.9	-1,2%	73,5%	5,3%	127	16	2,15	4,14	29	60,09
<b>Portugal</b>	0.1	-3,2%	128,9%	15,8%	76	6,67	12,31	6,25	35	29,84
<b>Slovakia</b>	0	1,8%	55,4%	14%	76	11,67	4,92	5,28	26	51,59
<b>Slovenia</b>	0	-2,5%	71,7%	8,9%	84	12,53	5,62	5,67	20	61,25
<b>Spain</b>	0	-1,6%	93,3%	24,8%	96	11,6	5,7	6,15	22	28,34

Source 5 Own presentation

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<sup>i</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=tec00115&plugin=1>.

<sup>ii</sup>

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=de&pcode=tipsgo10&tableSelection=1>

<sup>iii</sup> [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_rt\\_a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en)

<sup>iv</sup> In general, does the EU conjure up for you a ,very negative image‘?;EB 77.4 June 2012, accessible from: [http://www.europarl.europa.eu/pdf/eurobarometre/2012/election\\_2012/eb77\\_4\\_ee2014\\_synthese\\_analytique\\_en.pdf](http://www.europarl.europa.eu/pdf/eurobarometre/2012/election_2012/eb77_4_ee2014_synthese_analytique_en.pdf), page 13.