The European Commission experienced a ‘subtle disempowerment’ during the Eurozone crisis

blogs.lse.ac.uk/europpblog/2016/02/16/the-european-commission-experienced-a-subtle-disempowerment-during-the-eurozone-cris

2/16/2016

How did the Eurozone crisis affect the balance of power between the EU’s institutions? As **Eugénia da Conceição-Heldt** *writes, opinion has been split over whether the crisis strengthened or damaged the European Commission’s role in EU decision-making. She argues that while some authors have highlighted an apparent increase in the Commission’s responsibilities over economic governance during the crisis, the Commission actually experienced a ‘subtle disempowerment’ in relation to other institutions such as the European Central Bank.*

In a recent article, Michael W. Bauer and Stefan Becker argue that the Eurozone crisis allowed the European Commission to strengthen its role in economic governance, in particular with regard to its implementation powers, emerging as an ‘unexpected winner’ from the crisis.

By mapping central changes to the implementation powers of the Commission in economic governance throughout the Eurozone crisis, they certainly provide an enlightening take on the changing power of the Commission. While I agree with many of their observations about the Commission, some of their conclusions concerning the empowerment of the Commission are disputable. I would challenge their claim by contending that we have instead witnessed a ‘subtle disempowerment’ of the Commission: there has been a gradual transfer of decision-making authority and resources *away* from the Commission to the intergovernmental level and to the European Central Bank (ECB) during the crisis. This disempowerment has taken place along three dimensions.

First, with the creation of the European Stability Mechanism (ESM)*,* Member States deliberately decided to strengthen intergovernmentalism at the expense of the Commission. Whereas in 2010 the President of the European Commission, José Manuel Barroso, suggested creating a European Monetary Fund to address future sovereign debt crises, Member States opposed increasing the power of the Commission on economic and financial issues. Instead, they decided to establish a new intergovernmental organisation, the ESM. This institution is now in charge of safeguarding financial stability within the euro area and providing financial assistance when necessary to euro area Member States. Contrary to Bauer and Becker’s claims, recent EU studies persuasively demonstrate that the ESM disempowers the Commission and that the Fiscal Compact empowers the Commission to an only limited degree.

Second, the establishment of the so called ‘Troika’ weakened the Commission. One of the Commission’s central competences is to oversee the implementation of economic and financial policies at the national level. During the Eurozone crisis, Member States, in particular Germany, opposed giving the Commission power on these issues due to its lack of technical expertise in administering financial bailout assistance programmes. Member States decided instead to divide responsibility for implementing the programmes between the ‘Troika’ of the Commission, the International Monetary Fund (IMF) and the ECB.

Under this arrangement, the Commission and the IMF were in charge of designing and monitoring macro-economic, fiscal, financial sector and structural policies, while the ECB provided liquidity assistance to banks in programme countries. The Commission not only lost power: Member States also increased oversight mechanisms for this institution during the Eurozone crisis. Unlike the IMF and the ECB, which performed their tasks unsupervised and were only informally accountable to Member States, the Commission was extensively scrutinised and held accountable to Member States at different levels. For example, the Commission had to report regularly to the Economic and Financial Affairs Council, to the Eurogroup and to several economic and financial working groups within the Council.

Debate and vote on Jean-Claude Juncker for President of the European Commission. (Credits: European Parliament)

Finally, the extension of powers in relation to financial governance at the supranational level weakened the Commission and empowered the ECB. For example, in June 2013, the internal market commissioner, Michael Barnier, presented a report on the regulation of the EU banking sector in which he suggested that the Commission, under the lead of the Directorate General for Internal Market, Economic Affairs or Competition, was the most suitable and competent institution to supervise the banking sector. The Commission even considered that empowering the ECB in this area was out of the question due to possible conflicts of interest between the ECB's responsibilities for regulating monetary policy and its commitment to ensuring financial stability.

However, the Commission's proposal garnered major opposition from the German finance minister, Wolfgang Schäuble, who opposed transferring further competences to this supranational institution. In the end, Member States decided to delegate substantial powers for banking supervision not to the Commission but to the ECB. Not only is the newly created European Banking Authority now formally subordinate to the ECB, but the European Systemic Risk Board, operational since 2011, is also chaired by the ECB President. As these examples show, the ECB has been extensively empowered since the onset of the Eurozone crisis, leaving the Commission 'the loser' in banking and financial supervision.

If one frames articles on European integration in terms of "who wins what, how, where, and when", then including the EU institutional context is crucial to understanding whether the Commission was empowered relative to other European institutions. By omitting other central actors, such as the ECB or the ESM, Bauer and Becker cannot persuasively answer the question of who the 'unexpected winners' of the Eurozone crisis were. This lacuna, in turn, leads to inaccurate conclusions about the role and power of the Commission during the crisis.

In future, we need more systematic studies addressing the broader question of the conditions under which some supranational organisations are empowered and others disempowered. In addition, we need studies that concretely examine which of the Commission's competences, beyond implementation powers, were strengthened during the Eurozone crisis and which were weakened. Doing so will help us better understand the extent of the institutional changes that have taken place since the beginning of the crisis.

For a longer discussion of this topic, see the author's recent article in the Journal of European Integration

Please read our comments policy before commenting.

Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics. Featured image: the silhouette of former European Commission President José Manuel Barroso (credits: European Parliament).

Shortened URL for this post: **http://bit.ly/1okdbwE**

About the author

Eugénia da Conceição-Heldt – *TU Dresden*
Eugénia da Conceição-Heldt is Professor of International Relations at TU Dresden.

-