The European Commission's stronger role in economic governance has made it an unexpected 'winner' from the Eurozone crisis

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Several commentators have argued that the Eurozone crisis has resulted in more intergovernmental EU decision-making, with the European Commission in particular being weakened by the role taken on by the European Council in the area of economic governance. **Michael W. Bauer** *and* **Stefan Becker** *write, however, that while the Commission's agenda setting powers have been curtailed, it has been considerably strengthened in managerial terms. They argue that far from being weakened, the Commission has emerged as an unexpected institutional 'winner' from the recent transformations of economic governance in the EU.*

It has repeatedly been argued that the latest financial and economic crisis has shifted authority in EU economic governance even further to intergovernmental institutions. National governments in the European Council take the most prominent role in setting the economic agenda, and cooperation increasingly takes place in intergovernmental form outside the European treaties, as evidenced by the European Stability Mechanism and the Fiscal Compact. It has been concluded that this shift has taken place at the expense of other institutions and, in particular, the European Commission. This reading is in line with more general portrayals of the Commission as an institution in decline, or at least forced onto the political defensive.

We argue that this is an overly-simplified conclusion. The thesis of Commission decline provides only a partial account of economic governance during and after the latest financial and economic crisis. While one can indeed argue that the Commission's agenda-setting powers have been curtailed, the Commission has at the same time been considerably strengthened in managerial terms. Several reforms in the areas of financial stability support, economic policy surveillance and the coordination of national policies have consolidated and sometimes even expanded the Commission's mandate of supervising national compliance with EU rules; and intergovernmental form often has strong supranational substance.

Take the area of financial stability support as an example: even though the newest lending facilities are formally intergovernmental arrangements, the current governance architecture involves the Commission in various managerial capacities. Along with the European Central Bank, the Commission assesses the financing needs of applicants and subsequently proposes decisions on granting assistance. As part of the *troika,* which also features the European Central Bank and the International Monetary Fund,the Commission then negotiates conditionality agreements and monitors compliance afterwards.

These are hardly trivial tasks. Conditionality arrangements impose tough measures on borrowing states, such as cuts in welfare policies and the public sector, which entail severe social repercussions, as the European Parliament's inquiry into the matter exemplarily showed. It follows that *troika* decisions and reports are time and again highly controversial in both creditor and debtor states – and it seems to be the Commission that plays the most prominent role in this group, especially when it comes to designing structural reform plans. As the central actor between creditor and debtor states, the Commission has therefore become quite important in financial stability support, which has grown in size and sophistication during the crisis.

In the field of economic policy surveillance, crisis-related reforms also entailed broader and deeper Commission involvement. As a result of the Six-pack legislation, it is now responsible for additionally monitoring overall public

debt – a criterion not specified before – and developments of national expenditures in the Stability and Growth Pact. Its assessments and recommendations are also carrying additional weight due to "reversed qualified majority" voting when it comes to fines and sanctions (a qualified majority of states have to vote *against* sanctions, whereas before they had to vote *for* them). The Commission is further responsible for managing the new Macroeconomic Imbalance Procedure, in which it is able to conduct quantitative and qualitative analyses of national trade balances.

Following the Two-pack legislation, the Commission is now entrusted with assessing – in advisory capacity – the "fit" of draft national budgets with EU rules. Finally, the intergovernmental Fiscal Compact, aimed at further strengthening fiscal discipline and intensifying surveillance, also employs the Commission for developing policy principles and monitoring compliance. And it has so far been quite active in this reformed monitoring regime. The Commission continues to keep pressure on sluggish member states in both excessive deficit and macroeconomic imbalance procedures, even if sanctions have yet to be imposed. It also remains persistent in scrutinising budgetary drafts and demanding additional explanations from member states, as especially the recent disputes with France and Italy have shown.

The coordination of national policies in areas of common interest but utmost national sovereignty, such as social security and employment, has also been upgraded during the crisis. Both the Europe 2020 process, the successor of the Lisbon Strategy, and the Euro Plus Pact, which was adopted in 2011 by the Eurozone members and six other states to promote competitiveness, employment and sustainable public debt, have broadened the scope of coordination that is managed by the Commission. The EU executive is once again responsible for gathering and synthesising information and recommending certain paths of action (although the Council eventually decides).

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All coordination efforts are based on soft law that is less powerful than the threat of sanctions in economic policy surveillance. It can, however, be argued that it has become more forceful during the crisis. The recommendations for France in 2013 are a case in point, as the suggestions for reforms of the French labour market and pension system prompted controversial debates not only in France but also in other member states. While it remains legally unable to enforce these reforms, Commission recommendations grow in salience. Given the new "comply or explain" rule that commits the Council to publish its reasons when deviating from the suggested recommendations, this trend is likely to continue.

So even though national governments occupied the spotlight during crisis management, the Commission is emerging from the related reforms with a stronger mandate in economic governance that seems often to escape observation and thus leads to misinterpretations. The new powers should, however, be taken seriously, as they are quite political and the Commission enjoys considerable discretion in executing them.

The area of economic governance could also be a pointer for the general trajectory of the Commission. Rather than providing leadership through grand agenda-setting, the Commission may use its managerial competences to exercise supranational guidance. This strengthened role is perhaps in ways no less "political" than its previous agenda-setting powers. Scholars of European integration are thus well-advised to appreciate the new dynamics stemming from supranational empowerment in the areas of supervision and co-management. What might seem the dominion of intergovernmental actors at first glance can be fertile soil for supranational management. The area of

economic governance is a case in point.

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

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Note: This article gives the views of the authors, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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About the authors

Michael W. Bauer – *German University of Administrative Sciences Speyer*
Michael W. Bauer is Jean Monnet Professor and holds the Chair of Comparative Public Administration and Policy Analysis at the German University of Administrative Sciences Speyer.

Stefan Becker – *German University of Administrative Sciences Speyer*
Stefan Becker is a Researcher at the German University of Administrative Sciences Speyer.