www.jcer.net

# Journal of Contemporary European Research

Volume 15, Issue 2 (2019)



ISSN 1815-347X

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 ISSN 1815-347X

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Journal of Contemporary European Research

Volume 15, Issue 2 (2019)

Introduction

# Recent Changes in EU Economic Governance: Methodological and Institutional Dynamics

**Michele Chang, Martin Sacher and Igor Tkalec**

Chang, M., Sacher, M. and Tkalec, I. (2019). 'Recent Changes in EU Economic Governance: Methodological and Institutional Dynamics', *Journal of Contemporary European Research* 15(2): 134-142. https://doi.org/10.30950/jcer.v15i2.1079

First published at: www.jcer.net

# Abstract

A decade after the outbreak of the Euro crisis, enough time has passed to assess its impact on EU economic governance. This Special Issue aims to identify the institutional dynamics that have occurred since the crisis by using methodological approaches that reflect the rising complexity of decision-making under Economic and Monetary Union. The ambition of the contributing authors is to provide new theoretical insights and empirical findings and thereby to contribute to our understanding of the long-term ramifications of the Euro crisis for EU economic governance. This Special Issue addresses two broad research areas: power relations, institutional dynamics and decision-making practices, and the processes, efficacy and effectiveness of fiscal and economic policy coordination in the reformed setting of economic governance.

A decade ago, the Greek government announced revised figures for its deficits, triggering the Euro crisis and a host of reforms in EU economic governance. While the pace of reforms has slowed since the height of the crisis, enough time has passed to assess the impact of the crisis on EU economic governance. While market calm returned to the Eurozone around 2012 after the announcement of Banking Union and Mario Draghi's vow to do 'whatever it takes' to save the Euro, the decisions undertaken during this period had important repercussions for policymakers. The EU assumed greater control over sensitive policy areas during the crisis at a time when the legitimacy of the Euro and its institutions was questioned. How did this occur, and what have been the long-term ramifications for EU economic governance?

The Euro crisis resulted in some actors accruing more power and influence. For example, the European Central Bank (ECB) rose as a pivotal actor during the crisis, partially through its use of unconventional monetary policy and also through its responsibility for financial supervision as part of Banking Union. Moreover, Banking Union itself developed in a way that reflects certain power dynamics favouring the interests of some member states over others. In other cases, the member states were expected to take a stronger role in the implementation of domestic reforms. The latter relied on a mixture of hard and soft law within the framework of the European Semester and addressed fiscal and macroeconomic coordination as well as financial market surveillance and integration. One of the governance reform packages, the so-called 'Six-Pack', reformed the Stability and Growth Pact (SGP) and introduced the Macroeconomic Imbalance Procedure (MIP), a mechanism for preventing and correcting macroeconomic imbalances and thus aimed at strengthening fiscal and macroeconomic policy coordination and surveillance (Šikulová 2015; Franco and Zollino 2014; Bouwen and Fischer 2012). These newly introduced and reformed fiscal and economic policy coordination mechanisms, together with already existing ones such as the Broad Economic Policy Guidelines, are now carried out within the European Semester, an annual policy coordination cycle that delivers Country Specific Recommendations (CSRs) that aim to induce economic policy reforms at the national level.

Under this new setting of economic governance, supranational and national actors have been assigned new prerogatives and obligations. Consequently, the established reforms were accompanied by changes in power dynamics regarding both the relations between the national and supranational levels and the relations amongst supranational institutions and actors. These changes to the institutional setting of EU economic governance have opened up opportunities for analysis and constitute developments that deserve academic attention. Two promising research areas are of particular interest. The first one revisits power relations and institutional dynamics in the reformed economic governance framework as well as their repercussions for legitimacy and accountability in the EU. The second area concerns the processes, efficacy and effectiveness of fiscal and economic policy coordination, notably within the European Semester.

The contributions to this Special Issue focus on these two topics, bringing together the work of scholars from subfields of political science including political economy, comparative politics and international political economy. This introduction first presents the developments under Economic and Monetary Union (EMU) that have been identified and addressed by the literature so far. Based on this, it next describes the objectives of the articles in this Special Issue and their contribution to research on EU economic governance. This presentation includes brief summaries of the articles, which are grouped into the aforementioned categories: shifting power relations, institutional change, and decision-making practices; and the processes and outputs associated with the European Semester.

## DEVELOPMENTS IDENTIFIED AND ADDRESSED BY THE LITERATURE THUS FAR

Certain aspects of the above-mentioned developments regarding EU economic governance have been identified and addressed by the recent academic literature. Regarding changing power dynamics during and in the aftermath of the crisis, it has been argued on the one hand that EU economic governance has gained a stronger supranational character in terms of the empowering of EU institutions in the implementation and application of governance rules (Guidi and Guardiancich 2018; Dehousse 2016; Carstensen and Schmidt 2017). In addition, the Commission has been increasingly flexible in its interpretation of the rules on economic governance (Schmidt 2016). The Commission has further gained greater control and authority over member states' statistical information (Savage and Howarth 2018). On the other hand, the 'new intergovernmentalism' literature argues that integration has occurred without supranationalisation and has empowered new bodies instead of the Commission or other 'traditional' supranational institutions (Verdun and Zeitlin 2018; Bickerton, Hodson and Puetter 2015).

The reinforcement of some actors has added to the persistent asymmetry between the economic and social dimensions of EU governance. Although the reformed governance framework acknowledges the importance of social policy issues, they have been subjugated to economic goals (for example Verdun and Zeitlin 2018; Maricut and Puetter 2018; Kvist 2013; Copeland and Daly 2018; Bekker 2015). While the downgrading of social policy objectives had occurred already well before the crisis when the 2004 Kok Report, a mid-term review of the Lisbon Strategy's economic policy coordination programme, led the Lisbon Strategy to focus on economic growth and job creation, leaving social and environmental concerns to the side. Nevertheless, there is evidence for an incremental empowerment of social policy actors within the setting of the European Semester (Zeitlin and Vanhercke 2018). Furthermore, the Commission has acted as a strategic actor in the aftermath of the crisis which advocates social policy measures, albeit against the backdrop of fiscally austere national governments (see Eihmanis 2017).

Regarding the functioning of coordination procedures that have been shaped by the reform of economic governance, recent research predominantly examines the European Semester and challenges its usefulness and effectiveness. To illustrate, studies on the implementation of policy guidance delivered by the European Semester, the CSRs, point to an overall unsatisfactory performance of the member states (Wolff and Efstathiou 2018; Samardzija and Skazlic 2016; Deroose and Griesse 2014; Darvas and Leandro 2015; Alcidi and Gros 2014). Moreover, scholars have analysed the balance between economic and social policy objectives and recommendations within the European Semester, as well as their interaction (for example Zeitlin and Vanhercke 2018; Copeland and Daly 2018). The focal point of these analyses is the position of the European Social Model and its future, notably in the context of dominant austerity policies (for example de la Porte and Heins 2015; Costamagna 2013; Armstrong 2012). It has been shown that the European Semester is a complex political and bureaucratic process. The hierarchical relationship between the dominant economic and the subordinated social policies essentially make the Semester an ambiguous policy coordination regime (Vanheuverzwijn and Crespy 2018; Bekker 2015) in which it is difficult to clearly correlate the intended purpose of the mechanisms with the policies and outcomes they produce. Moreover, the Semester's impact on national (structural) reforms and general economic prosperity is still uncertain (Samardzija and Skazlic 2018), and evidence points to a variation in the participation of national parliaments in the Semester among member states (Hallerberg, Marzinotto and Wolff 2018).

All of these factors have contributed to the exacerbation of the EU's perennial democratic deficit problem. According to Dawson (2015), decision-making after the Euro crisis combines intergovernmental forms of decision-making with aspects of supervision and implementation associated with the community method. While the model of decision-making has changed, the accountability structure has not and therefore does not allow for appropriate levels of control and scrutiny of decisions taken. In a similar vein, Schmidt (2015a) argues that the failure to produce good outcomes during the Euro crisis as well as the lessened influence of EU citizens on Eurozone policies have deteriorated democratic legitimacy. Further, EU actors reinterpreted the rules in force without, at first, publicly admitting it. While flexible rule interpretation might support output legitimacy, it is not without its consequences with regard to input and throughput legitimacy (Schmidt 2015b). Similar dynamics can be observed in the area of monetary policy, with the ECB stretching its mandate and thereby undermining the initial structure of its democratic legitimacy (Högenauer and Howarth 2016). As argued by Steinbach (2018), the Euro crisis has even changed the accountability structure of EU economic governance as a whole, deviating from the accountability structure as laid down in the Treaties. While prior to the crisis, economic governance was based on economic accountability (the determination of financing needs of states by the markets), post-crisis debtor states now are accountable to public creditors, and thus economic accountability has been substituted by political accountability.

It has nevertheless been shown that the crisis had a positive impact on certain aspects of democracy. According to Kriesi (2018), the dissatisfaction of citizens with their countries' economic and political performance during the crisis led to a strengthening of democratic principles at the national level. In a similar vein, Cordero and Simón (2016) find that by creating dissatisfaction with the economy, bailouts have had a positive impact on citizens' support of democratic values in those countries affected. On a more general level, while it is often claimed that there would be no demos in the European Union, Risse (2014) argues that the Euro crisis has enhanced the Europeanisation of national public spheres. In sum, while the political and economic reactions to the crisis have negatively affected democratic accountability of EU economic governance, the crisis has triggered movements at the national and trans-European levels that point towards an enhancement of democratic principles and contributed to the development of a European public sphere that could be at the basis of a trans-European accountability structure.

## AIM OF THE SPECIAL ISSUE

The multifaceted nature of the new EU economic governance framework and complexities as illustrated by altered institutional dynamics, problems of legitimacy and the questionable effectiveness of economic and fiscal policy coordination calls for further thorough examination. Hence, the aim of this Special Issue is to provide new theoretical insights and empirical findings on particular aspects of EU economic governance in addressing the above-depicted themes. In doing so, it offers an interdisciplinary angle to the issues at hand and, we believe, utilises data produced by the reformed EU economic governance through innovative methodological techniques.

The first group of contributions to this Special Issue focus on power relations, institutional dynamics and decision-making practices in the aftermath of the crisis. While Chang examines the changing legitimacy of the European Central Bank (ECB), O'Dwyer revisits the role of expertise in EU economic governance from a gender perspective. Sacher, applying a partially legal reading of policy coordination and decision-making practices, studies the enforcement of sanctions under the macroeconomic conditionalities that link EU cohesion policy to economic governance.

In more detail, Chang's contribution addresses the topic of legitimacy and accountability in the case of the ECB. This highly independent institution moved from the pursuit of a very narrow mandate based on price stability towards the application of unconventional monetary policy. This move and hence the ECB's increased role in financial markets extends the debate on legitimacy towards accountability concerns. Ultimately, Chang shows that the accountability of the ECB has increased incrementally since the Euro crisis, accompanying a gradual institutional change by layering. Consequently, the ECB's accountability requirements have become more substantial, though whether they correspond to the ECB's increased role is debatable.

Undertaking a structural perspective on power dynamics in EU economic governance, O'Dwyer finds that the role of experts in EU economic governance is not harmful, but can instead generate democratic deliberation and guide decisions. Nonetheless, the role of experts unavoidably raises the question of democratic legitimacy of EU economic governance. In this vein, O'Dwyer argues that depoliticised expertise served as a legitimisation channel for the governance structure since it lacks input legitimacy. She concludes that, above all, this specific legitimisation process is gender natured, as supported by the empirical illustration of male dominance within EU economic governance. By touching upon the issue of the EU's democratic deficit, the two contributions expand the perspectives based on which we can understand and assess both power and institutional dynamics in the current economic regime of the EU.

Combining political science analysis and legal scholarship, Sacher applies the legal concepts of hard and soft law to analyse the nature of enforcement in a specific case. More precisely, Sacher analyses the 2016 strategic softening of macroeconomic conditionalities in the case of Spain and Portugal, a provision that foresees the suspension of EU investment funds in case of non-compliance with the Stability and Growth Pact (SGP). Drawing on the 'usage of Europe' approach, Sacher finds that the hard law character of the macroeconomic conditionalities softened by the European Commission's flexible application of the provisions, and by the European Parliament's strategic usage of the rules of the procedure.

In sum, the contributions by Chang and O'Dwyer expand the perspectives based on which we can understand and assess power and institutional and decision-making dynamics in the current economic regime of the EU. Moreover, O'Dwyer and Chang's contributions relate to the issue of the EU's democratic deficit that is not only reflected in accountability structures (Chang), but is present on a structural level in the form a gendered expertise regime within EU economic governance (O'Dwyer). By partially applying a legal perspective, Sacher's contribution illustrates the use of the institutional flexibility of the setting of EU economic governance and contributes to our understanding of both the difference between the legal framework and political practice, and the interaction between them.

Further exploration of challenges related to economic policy coordination is undertaken by the second group of contributions to this Special Issue. These contributions focus on the outputs of EU policy coordination processes. In particular, they examine the EU's annual coordination cycle of economic policies: the European Semester and its policy-oriented output, namely the CSRs. Moreover, the contributions apply a methodologically innovative angle to the issues at hand.

The Semester brings together different coordination instruments and reporting requirements. This exercise therefore creates a significant amount of documents and data, which can be used for the in-depth analysis of the dynamics, functioning and policy orientation of the Semester. As shown by D'Erman, Haas, Schulz and Verdun, who developed and made use of a large data set, EU economic policy coordination does not follow a 'one size fits all' approach, with reform recommendations broadly corresponding to the different 'types' of capitalism that are present at the national level. In particular, thematic orientation of CSRs vary across member states and time, and the distinctive character of national economic models. This finding suggests that policy recommendations produced within the Semester are rather nuanced with regard to domestic (national) differences, even if they seek a certain degree of convergence.

Instead of exclusively analysing the content of CSRs, Tkalec focuses on the process of CSR adoption. In particular, the author uses textual data produced by the European Semester in order to demonstrate the existence of a difference in opinions between the Commission and the Council in the articulation of policy recommendations. He uses quantitative sentiment analysis complemented by qualitative case studies, and he finds that the Council's amendments to the Commission's CSR proposals tend to be substantive. The most disputable policy recommendations concern fiscal, social and labour market issues. Ultimately, through the amendments, the Council tends to emphasise the importance of national traditions and practices in policymaking.

These two contributions provide examples of using innovative methods to approach policy coordination under the European Semester and its complexity. First, quantitative sentiment analysis used by Tkalec points to potential advantages and limitations of large-scale text analysis notably in the context of EU economic governance. Second, the innovate approach to coding of CSRs and dataset creation undertaken by D'Erman, Haas, Schulz and Verdun highlights relevant variables and produces a compelling empirical foundation for further examination of CSRs. Therefore, both analyses add to the methodological toolkit that can be used to analyse EU economic governance.

In his methodological commentary, Schulz shows that the dominant methods in the application of actor-centred approaches to EU economic governance are qualitative document analysis and interviews. Attempting to uncover alternatives, the author explores viable methods that have the potential to enrich this academic field. He argues that newly accessible data such as biographic information could prove useful when studying EU economic governance. These data might be analysed using methods such as automated content analysis which, due to sophisticated software advancements, has become a reliable technique in the social sciences.

## CONCLUSION

EMU has been subject to a great number of changes since the Euro crisis that have not only touched upon the institutional set-up of policymaking, but have also invited us to rephrase our questions regarding the EU's democratic deficit. This Special Issue aims at identifying these institutional dynamics using innovative methodological approaches and thereby building on and extending the state of research in the area of EU economic governance. The variety of research topics and approaches applied by the contributing authors thereby reflects the complexity of decision-making under EMU and the challenges for research created by the institutional dynamics since the beginning of the Euro crisis. We therefore hope that this Special Issue contributes to our quest for understanding the long-term ramifications of the Euro crisis for EU economic governance.

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Journal of Contemporary European Research

Volume 15, Issue 2 (2019)

Research Article

# The Constraints of Central Bank Independence: The European Central Bank's Unconventional Monetary Policy and Incremental Accountability in the Euro Crisis

**Michele Chang**

***Citation***

Chang, M. (2019). 'The Constraints of Central Bank Independence: The European Central Bank's Unconventional Monetary Policy and Incremental Accountability in the Euro Crisis', *Journal of Contemporary European Research* 15(2): 143-161.
https://doi.org/ 10.30950/jcer.v15i2.1006

First published at: www.jcer.net

# Abstract

The European Central Bank (ECB) is one of the most independent central banks in the world, but this independence is also highly constrained: the Maastricht Treaty established a primary mandate to pursue price stability and prohibited it from engaging in monetary financing. Using an historical institutional framework, this article analyses the ECB's unconventional monetary policy during the Euro crisis. The Maastricht Treaty's constraints forced the ECB to act incrementally during the crisis and rely primarily on the layering of institutional changes. Nevertheless, the self-reinforcing effect identified by historical institutionalism meant that these gradual changes had important consequences over time. The unconventional monetary policies are contrasted with the more drastic institutional change instigated by the Member States, the ECB's designation as the Single Supervisory Mechanism (SSM). The self-reinforcing effects and path dependence set by the ECB's high degree of independence in the Maastricht Treaty, however, also constrained the EU in ensuring the accountability of the ECB, as the accountability structure is another instance of layering despite the very different nature and consequences of financial policy supervision.

# Keywords

Accountability; Euro area governance; Euro crisis; European Central Bank; Historical institutionalism; Legitimacy; Unconventional monetary policy

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Since the onset of the Euro crisis, no supranational institution has undergone more changes than the European Central Bank (ECB). Not only has it engaged in controversial unconventional monetary policy in its core policy field, it has also extended its functions formally (as the Single Supervisory Mechanism) and through the expansive use of previously little-used roles such as government advisor (bilaterally and through the troika). While market reaction to the ECB's expanded role was initially positive, public opinion has also been increasingly sceptical of the ECB's actions (Roth et al. 2016) and even prompted several legal challenges, albeit unsuccessfully.

This article contributes to this special issue on recent changes in EU economic governance by analysing the nature of the ECB's use of unconventional monetary policy and its evolving accountability structure. Using an historical institutional framework, I consider how the initial changes made by the ECB can be understood as gradual, and how its accountability has also increased incrementally. Nevertheless, the feedback process of these gradual measures has the potential to make the consequences of such changes much larger, paving the way for more substantial changes in the future and unintended consequences.

Moreover, even though banking union constitutes more of a substantial modification of the ECB's activities, its accountability structure in this domain also conforms more closely to a gradual model of change; the ECB's monetary dialogue served as a template for its banking dialogue. Despite the important change marked by banking union, its incremental rise in accountability can be attributed to the feedback loops that arose after the initial decision to grant the ECB a high degree of independence.

This constrained the options of the ECB in the Euro crisis to the more incremental paths of institutional change described by historical institutionalism, conversion and layering. It also limited the options of other EU actors in ensuring the accountability of the ECB, despite the acquisition of an important new competence with much stronger distributional and political implications than monetary policy had. Indeed, the SSM's accountability structure strongly resembles that found in the monetary domain.

The article outlines the main tenets of historical institutionalism. It continues with a description of the specific legal constraints faced by the ECB; despite its status as an independent central bank, it faces strong prohibitions if it should try to go beyond its primary mandate to pursue price stability, further necessitating only incremental changes. The next section summarizes the ECB's unconventional monetary policy during the global financial crisis and Euro crisis, contrasting it with the more radical change of its role in banking union through the lens of historical institutionalism. The evolution of the ECB's accountability structure is analysed through the same lens, demonstrating how the decision to make the ECB highly independent under the Maastricht Treaty led to self-reinforcing behaviour that ultimately constrained not only the ECB but also the other EU institutions in their ability to hold the ECB accountable.

## HISTORICAL INSTITUTIONALISM AND INSTITUTIONAL CHANGE

Historical institutionalism figures among the three "new institutionalisms" (the other two being rational choice institutionalism and sociological institutionalism) that became prevalent in European studies in the 1990s (Hall and Taylor 1998). Historical institutionalism considers how institutions are 'sticky' over time and likely to persist, even when the circumstances that led to its creation change. During a critical juncture (often triggered by an exogenous shock), political coalitions enact changes that set the institution down a certain path that becomes self-reinforcing due to their increasing returns and positive feedback effects (Pierson 2000; Capoccia 2015). Operating within critical junctures are permissive and productive conditions: the former allows for greater agency by weakening institutional constraints, whereas the latter operates within the context of permissive conditions and shapes initial outcomes that are then replicated after the end of the critical juncture (Soifer 2012).

Historical institutionalism identifies how incremental change can occur during a critical juncture through four different processes (Streeck and Thelen 2005; Mahoney and Thelen 2009). These four types of institutional change differ according to the retention of old rules and the creation of new rules.

**Table 1. Historical institutionalism**

| | Old rules remain | Old rules replaced |
|---|---|---|
| New rules created | Layering | Displacement |
| No new rules created | Conversion | Drift |

Layering keeps the existing rules and adds new ones, either superimposed or in conjunction with the original rules. This occurs when it is difficult to alter the existing rules so additional rules are implemented that nevertheless can lead to substantial changes over time. Conversion alters the implementation of existing rules in a 'strategic redeployment' (Mahoney and Thelen 2009: 16). Would-be reformers make use of ambiguities and grey areas within the existing institution in ways that allow it fulfil new objectives. Drift implies a change in the impact made by the existing rules in response to changing conditions in the environment. In such a case, the lack of action by policymakers to respond to evolving circumstances also leads to institutional change. Finally, displacement involves the replacement of existing rules with an alternative. This is the strongest institutional change identified within the historical institutionalist framework, as it does not retain the previous rules. Institutions that enjoy high levels of discretion in how rules are interpreted and enacted are more prone to drift and conversion, depending on the opportunities for other actors to veto any changes; strong veto opportunities make drifting more likely, while weak veto opportunities tilt the balance in favour of conversion (Mahoney and Thelen 2009).

Historical institutionalism is a useful tool for analysing the ECB, given its identification of different types of incremental change. While the ramifications of the expansion of the ECB's role in Euro area governance have been considered elsewhere, they have tended to consider the ECB as financial supervisor (De Rynck 2016), troika member (Henning 2017) or lender of last resort (Buiter and Rahbari 2012). Historical institutionalism allows one to differentiate between types of changes undertaken by the ECB in a way that offers a comparative element to the corresponding changes in ECB accountability. If there is a mismatch between the type of incremental change and the accountability structure, this signals potential legitimacy problems for these changes and provides a basis for considering how accountability should adjust alongside institutional change. As explained later, the ECB's unconventional monetary policies most often resemble layering and conversion, and its accountability structure also favours layering. While this has been satisfactory for the majority of cases, a mismatch between the displacement involved in financial supervision versus the continued layering in accountability is problematic and contributes to attacks on central bank independence.

## THE EUROPEAN CENTRAL BANK'S MANDATE AND ACCOUNTABILITY STRUCTURE

The ECB's actions during the Euro crisis must be understood within the context of its status as one of the most independent central banks in the world and a central bank for a collection of states that do not form a political union. The ECB's actions are constrained considerably compared to other central banks as a result, as the Maastricht Treaty did not designate it as a lender of last resort to the Euro area and it was not charged with banking supervision. The creation of an independent ECB was part of a larger trend internationally, as central bank independence had gained widespread acceptance in the 1980s and 1990s as a way to achieve price stability (Cukierman 1992; Alesina and Summers 1993). Indeed, the Maastricht Treaty marks the first critical juncture for the ECB and the onset of a path-dependent process emphasizing price stability.

According to the Maastricht Treaty Article 127.1 TFEU,

> The primary objective of the ESCB shall be to maintain price stability… [and] without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2.

Other economic objectives (such as economic growth or employment) can be pursued only as secondary activities, and only to the extent that their pursuit does not impinge on price stability. Thus, the Maastricht Treaty enshrined the principle of monetary dominance through the ECB's independence, price stability mandate, and monetary financing prohibition. Monetary dominance refers to the setting of interest rates without regard to fiscal policy, which then adjusts to monetary policy (Sargent and Wallace 1981). Fiscal policy cooperation was limited to the setting of debt and deficit limits among the member states. No budget was created for the Euro area, and the prospect of fiscal transfers was an anathema to countries like Germany. The ECB's role was therefore proscribed so that its decisions would not have distributive consequences. Moreover, the Maastricht Treaty included a no-monetary-financing rule that prohibits the ECB from providing governments with a liquidity backstop. This legally bars the ECB from buying sovereign bonds in primary markets (which would be a direct purchase), but not in secondary markets.

While the ECB enjoys a high degree of independence, its policy options are constrained in that its actions must be justified on the grounds that it contributes to price stability (including the monetary transmission mechanism that ultimately affects prices). As we shall see, the ECB made frequent references to this mandate when justifying its policies during the Euro crisis. Nevertheless, the positive feedback effects still made incremental changes have a significant impact.

The ECB's primary objective is price stability, and it mainly relies on 'output accountability' (Zilioli 2016: 131) in which it is judged according to how well it fulfils this mandate. This is just one element of what has been described as central bank accountability: the decisions regarding how the central bank's objectives are defined and ranked; transparency; and who is ultimately responsible (de Haan et al. 2004).

The ECB's accountability emphasises adherence to its mandate of pursuing price stability, its transparency in how it goes about achieving this objective, and its dialogue with political actors. In a 2002 Monthly Bulletin elaborating on its accountability, it defined accountability as 'being held responsible for one's decisions and being required to justify and explain them' (ECB 2002:48). This fits an international political trend towards greater accountability for policymakers (Begg 2007). The ECB has gone beyond the transparency requirements demanded by the Treaty, including frequent press conferences and press releases as well as making its statistics and forecasts available (Zilioli 2016). Indeed, it is in the ECB's interest to be viewed favourably, both in terms of its accountability and in achieving its inflation target (Torres 2013), given that the ECB scored low on accountability when compared to other central banks (De Haan et al. 1999) and represents 'a departure from the norms of political accountability' (Elgie 1998: 54).

The ECB's accountability structure requires it to draft an annual report on its monetary policy and other activities to the European Council, the Commission, the Council of the European Union and the European Parliament. In addition, the ECB President (as well as other Executive Board members) can appear before the European Parliament, due to either its own initiative or an invitation from the European Parliament. The ECB President appears before the European Parliament's Committee on Economic and Monetary Affairs (ECON) on a quarterly basis and before its plenary at least once a year. The ECB is also subject to control by two sets of auditors (an independent external auditor and the European Court of Auditors) and the European Anti-Fraud Office (OLAF) (ECB 2010).

The primary way the ECB is held to account is in its relationship with the European Parliament. During the Maastricht Treaty negotiations, the European Parliament unsuccessfully sought the insertion of a legal obligation for the ECB president's appearance before the European Parliament akin to the obligations of the US Federal Reserve System. Despite the lack of legal basis, the European Parliament took the initiative in keeping the ECB accountable (Amtenbrink and van Duin 2009) by including in its rules of procedure an invitation to the ECB president to visit the ECON on a quarterly basis to declare a statement and answer questions, a ritual that became known as the Monetary Dialogue. Similarly, the stipulation that any MEP could demand a written answer to a question also finds its roots in rules of procedure. The ECB President has willingly engaged with the European Parliament, and the Monetary Dialogue has been mutually beneficial: it provides the ECB with a platform to publicly justify its policy actions as it gives the European Parliament a high-profile role in ensuring that the ECB is subject to at least a modicum of democratic accountability. Indeed, the ECB President appears with greater frequency before the European Parliament than the Federal Reserve or Bank of England before their respective legislatures (Eijffinger and Mujagic 2004). The Monetary Dialogue has been characterised as a 'power play' between the ECB and MEPs, with the former exemplifying technocracy and the latter politics in a situation that strains democratic norms (Jabko 2000: 903).

The Monetary Dialogue occurs four times a year and typically lasts two hours. The ECB President begins with an introductory statement, which is followed by questions from the ECON members. A monetary expert panel aids the lack of expertise of ECON by providing briefing papers on a range of issues related to monetary policy. Since 2006, for each hearing two topics are identified for which the experts write papers, and the ECB President is expected to comment on them during his introductory statement. Despite the general agreement that the experts' advice should be put to more use, neither the ECB President nor the ECON members have been bound by the identified topics; the former frequently fails to mention the topics in the opening statement, and the latter do not limit themselves to asking questions about them (Amtenbrink and van Duin 2009). The Monetary Dialogue is similar in structure to the comparable hearings that the US Federal Reserve and the Bank of England have with their respective legislatures. Nonetheless the key difference is that the European Parliament lacks the possibility to sanction the ECB, which make the ECB less accountable than its international counterparts (Claeys et al. 2014). Indeed, the ECB faces no direct consequences as a result of its dialogue with the ECON.

During the first decade of EMU, the ECB was quite reactive to ECON (Eijffinger and Mujagic 2004), as the dialogue seemingly had an impact on the ECB's procedures such as the May 2003 reform that removed the M3 from the policy analysis and refined the definition of price stability (Sibert 2005). The Parliament's line of inquiry also evolved, moving away from the focus on price stability to include topics like its general mission and level of transparency (Amtenbrink and van Duin 2009). Despite the increased transparency and visibility of ECB actions through the Monetary Dialogue, the process has been viewed as inadequate by some (Wyplosz 2007).

## THE ECB DURING THE EURO CRISIS: INFLATION, DEFLATION, AND SAVING THE EURO

An historical institutionalist analysis of the pre-crisis institutional trajectory of EMU revealed the institutions and actors involved in Euro area governance demonstrated remarkable consistency (Verdun 2007). Monetary policy had targeted price stability with no concern for the build-up of asset bubbles (Mishkin 2007). In the absence of a major shock that provided the Euro area with a critical juncture, Member States were unlikely to permit further transfers of sovereignty than they had under Maastricht.

The global financial crisis and subsequent Euro crisis provided such a shock. The EU's initial responses appeared gradual in nature, employing primarily layering and conversion techniques that did not require changes to existing rules (Salines et al. 2012; Gocaj and Meunier 2013). As a seemingly endless cycle of summits attempted unsuccessfully to quell the crisis, the ECB's actions bought policymakers additional time (Yiangou et al. 2013). Moreover, its treaty-defined roles in government advisement and financial supervision were expanded substantially, particularly when it became the Single Supervisory Mechanism. Finally, the prospect of deflation loomed over the Euro area, prompting the ECB to respond aggressively. Saving the Euro and fighting off deflation, however, included measures that extended beyond conventional monetary policy.

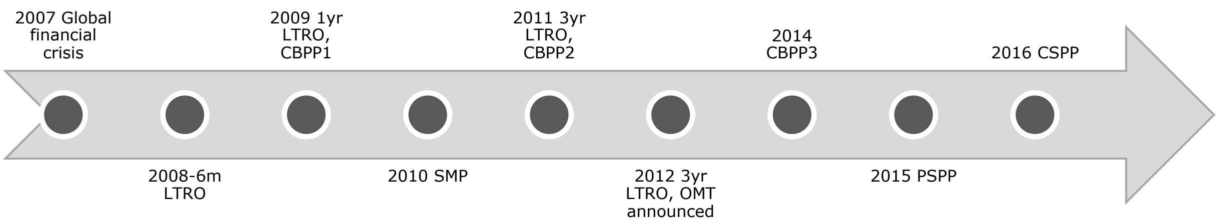
This section applies the historical institutionalist framework developed above to the ECB in its unconventional monetary policy and contrasts it with the designation of the ECB as the Single Supervisory Mechanism. It updates an earlier analysis of ECB actions during the crisis (Salines et al. 2012), finding that banking union added an element of 'displacement' to the ECB's institutional changes.

### UNCONVENTIONAL MONETARY POLICY

The ECB's conventional monetary policy consists of 'open market operations, standing facilities, and minimum reserve requirements for credit institutions' (ECB website). On the other hand, unconventional monetary policy measures operate according to a 'separation principle' in that distinguishes them from conventional policy. They complement rather than replace conventional measures, are temporary in nature, and are clearly defined. Their purpose is to avoid financial market disruption that would prevent the ECB's ability to affect prices via interest rates (Mendonça 2016). The impact of conventional and unconventional policy on price stability occurs through the monetary transmission mechanism: the 'process through which monetary policy decisions affect the economy in general and the price level in particular' (ECB). Official interest rates affect expectations and money market interest rates, which are then transmitted to the availability of credit, asset prices and exchange rates, and ultimately they influence price developments. Exogenous shocks like changes in the global economy, risk premia or fiscal policy can all affect the monetary transmission mechanism. The transmission of unconventional monetary policy includes: the signalling effect on future rates; liquidity effects on the interbank money market; and the composition of private sector portfolios (Pattipeilohy et al. 2013).

Figure 1 gives a time line of the unconventional policy measures by year; the article focuses on the Longer-term Refinancing Operations, Securities Market Programme, Outright Monetary Transactions, and the Asset Purchase Programme, i.e. quantitative easing. This list is not exhaustive; other unconventional policies were undertaken, including forward guidance and the use of negative interest rates for deposits (Hartmann and Smets 2018). Nevertheless, the selected policies generated more interest in the political economy literature given their potential for breaking the ECB's mandate to pursue price stability and the fiscal implications of their policies. Issues relating to the monetary transmission mechanism have played an important role in the rationale behind unconventional monetary policies such as Targeted Long-Term Refinancing Operations and negative interest rates, but they are beyond the scope of this study.

**Fig 1. Time line of the ECB's unconventional monetary policy**




The emergence of unconventional monetary policy coincided with another critical juncture, that of the global financial crisis that began in the US in 2007 and reached Europe with full force in 2008. The global financial crisis constitutes a permissive condition that loosens institutional constraints on agency. This critical juncture moment allowed gave agents more leeway (Fioretos et al. 2016) and allowed for the ECB, first under Trichet and later under Draghi, to interpret the rules binding the ECB's behaviour in the Maastricht Treaty in a way that produced lasting change to the institution. While a financial crisis of such magnitude might have prompted a dramatic institutional reconfiguration, instead the pre-crisis institutions constrained the reforms that were intended to respond to the crisis in a way that was quite gradual (Moschella and Tsingou 2013). The selected policies are then categorized according to the historical institutional divisions outlined above.

In the wake of the global financial crisis, the ECB responded to the freezing of interbank markets with Enhanced Credit Support that included longer-term refinancing operations and the covered bond purchase programme, among other measures. In keeping with the separation principle, interest rates were directed towards the monetary policy stance, whereas the new liquidity arrangements were geared towards restoring the monetary transmission mechanism so that interest rate decisions would affect the banking sector and ultimately households and businesses (Pattipeilohy et al. 2013).

The open market operations of the Eurosystem entail the main refinancing operations that supply liquidity weekly and longer-term refinancing operations (LTROs) that provide liquidity over a period of 3 months. In August 2007, the use of 3-month LTROs was expanded; in April 2008, the programme extended further to include additional LTROS for a period of 6 months, and in June 2009 the maturity was extended to 12 months. The progressive extension of LTROs to a period of 3 to 6 to 12 months presents an example of layering in that LTRO acquired additional operations with a longer duration, and this occurred on top of the regular 3-month LTROs already being used. Nevertheless, the rationale for these measures rested with the need to provide 'enhanced credit support' for the Euro area banking sector that suffered from the global financial crisis (González-Páramo 2009).

As the Euro crisis raged on with the bailouts of Greece, Ireland and Portugal and the prospect of too-big-to-save Spain and Italy also requiring financial assistance, the ECB announced in December 2011 a package of measures that included a new round of LTROs that would allow banks to obtain financing for just 1 percent during a 3-year period. This coincided with the start of Mario Draghi's term as ECB President and also marked a more proactive approach to the crisis. While unconventional monetary policy had originated under Jean-Claude Trichet, the ECB under Draghi took bolder steps that nevertheless originated in decisions undertaken by his predecessor. The first instance was the new LTROs that were substantially longer and more generous than their previous iterations. While the official explanation for LTROs was provide additional liquidity to Euro area banks (Draghi 2011b), the primary beneficiaries were clearly the banks in the Euro area periphery, and 10-year bond yields in Greece, Ireland, Spain, and Italy quickly rallied after the announcement. Banks took up nearly €1 trillion of the 3year LTROs and were expected to use these funds to purchase government debt (Gros 2012). Indeed, government bond holdings in banks in southern Europe increased by €54 billion in Italy, €68 billion in Spain and €4 billion in Portugal, whereas the northern countries showed no marked increase of sovereign debt purchases (Pisani-Ferry and Wolff 2012).

In addition to the extended duration, the announcement of the newer LTROs coincided with the reduction of the required reserves ratio and the easing of ECB collateral requirements; Draghi explained that bank assets would be freed up by using the loans as collateral (Draghi 2011a). These new collateral rules would particularly benefit banks in southern Europe (Gros 2012).

While the dramatic extension of the duration of the LTROs was layered upon the previous iterations of LTROs, they also indicate a conversion. The newer LTROs shored up banks in the periphery and allowed them to rebuild their capital base, demonstrating a policy shift that had more distributive implications than the previous LTROs. This opened the ECB to criticism that this (and the second round of LTROs of a 3-year duration launched in February 2012) amounted to the ECB acting as a lender of last resort (Buiter and Rahbari 2012). Nevertheless, the ECB carefully linked the 2011 and 2012 LTROs to its primary mandate; speculation and uncertainty had made the ECB's conventional monetary policy ineffective as the Euro area underwent financial fragmentation, leading to substantially different lending conditions across the region that prevented the ECB's interest rates from being transmitted to the real economy (Draghi 2012a).

Another unconventional monetary policy entails the expansion of the ECB's balance sheet through the purchase of assets, culminating in the Asset Purchase Programme (APP). This began in 2009 with the first Covered Bond Purchase Programme 'with the objective of sustaining growth across the Euro area', though the ECB added it would conform 'with the aim of achieving inflation rates below, but close to, 2% over the medium term' (ECB 2019). This indicates a conversion as the ECB's aim shifted towards economic growth, albeit in a form that would not jeopardize price stability. On 2 July 2009, the ECB's first covered bond purchase programme began, ending in June 2010 after reaching €60 billion. These purchases were distributed across the Euro area, and the covered bonds needed a minimum rating of AA by at least one of the major credit ratings agencies. This set an important template for the ECB that would be followed in later iterations, as the bond buying programme expanded to include different kind of assets. First, the requirement for high scores from ratings agencies would minimize the possibility that the ECB would suffer losses from the programmes. Second, it somewhat protected the ECB from charges of monetary financing. Finally, the programme was spread across the Euro area and not solely on economies in the periphery. Consequently, the ECB proceeded in layering additional asset purchase programmes on top. Two more covered bond purchase programmes ensued in November 2011 (ending on 31 October 2012) and 2014 (ending December 2018).

On 4 September 2014, the ECB announced a new asset-backed securities purchase programme (ABSPP) (ECB 2014). The Governing Council announced on 22 January 2015 that it would launch an expanded asset purchase programme (APP) that included the CBPP, ABSPP, as well as buying investment-grade bonds issued by Euro area governments, European institutions, and agencies in the secondary market (ECB 2015a). In June 2016, the ECB decided to implement a corporate sector purchase programme (CSPP), further expanding the APP (ECB 2016).

The ECB defended this decision as preventing a potential deflationary spiral, arguing that the APP indicated its determination to achieve price stability while respecting EU law (ECB 2015b). The amount of purchases were relatively modest in size; from March 2015 until March 2016 the ECB averaged €60 billion, from April 2016 to March 2017 €80 billion, and €60 billion from April 2017 to December 2017. At the June 2018 Governing Council meeting, the ECB announced a sharp reduction of net asset purchases to €15 billion a month until December 2018.

Under pressure from Germany, the risks assumed by the QE programme go to the national central banks rather than the ECB in order to prevent creditor countries from potentially taking on losses and placed limits on the amount that central banks can buy of each issue (25 per cent) as well as the amount that can be purchased per issuer (33 per cent). Nevertheless, the programme sparked sharp criticism; Germany's bestselling newspaper greeted the news with the headline, 'ECB takes on the billion-Euro debts of weak EU states. What will happen now with my money?'(Wagstyl and Giles 2015). Another case went to the German constitutional court, which referred the case to the European Court of Justice (ECJ) for an interim ruling under a fast-track procedure in July 2017, but the ECJ declined to accelerate its proceedings (Matussek 2017).

Institutionally, QE resembles layering, having built upon previous asset purchase programmes. Inflation rates had hovered dangerously close to the zero, dipping below 1 per cent in 2013 and into negative territory at the end of 2014. When the ECB was created in the 1990s, the primary concern was to avoid inflation; the economy in 2015 risked deflation, which also deviates from the ECB's objective. Although it expands further the ECB's balance sheet, it did contribute to increasing inflation in the Euro area (Conti et al. 2017). Moreover, the ECB's actions came long after and were much smaller than those of the US Federal Reserve (2008) and the Bank of England (2009) in their QE exercises. This also points to changing ideas in the central banking community regarding the use of QE and made it more acceptable for the highly constrained ECB to follow suit in a limited fashion.

In addition to the LTROs and asset purchase programmes, two additional instruments illustrate the incremental nature of the ECB's response to the Euro crisis, the Securities Market Programme and the Outright Monetary Transactions. Both provoked considerable concern that the ECB overstepped its mandate, though the latter has not been used.

In May 2010, the ECB launched the Securities Market Programme (SMP) in which it purchased the sovereign debt of peripheral economies like Greece, Ireland, Spain, Portugal and Italy on secondary markets; recall that primary market purchases are prohibited by the TFEU. The ECB justified this move on the grounds of needing to repair the monetary transmission mechanism 'and thus the effective conduct of monetary policy oriented towards price stability in the medium term' (ECB glossary). This amounts to a conversion of ECB policy instruments rather than a long-term institutional shift, given its temporary nature (Salines et al. 2012), the limited interventions (significantly below a Federal Reserve-style quantitative easing programme) (Yiangou et al. 2013), and its formal alignment with the ECB's primary mandate. The SMP was suspended in January 2011, resumed in August 2011, and ended in September 2012 with the announcement of the Outright Monetary Transactions.

Critics viewed the SMP as a more substantial institutional shift, particularly German central bankers, as the ECB's purchases had the effect of lowering bond yields and arguably could be construed as an indirect monetary financing of governments. Moreover, the ECB could be liable for the peripheral countries' debt if they were to default. Bundesbank president Axel Weber resigned in February 2011, having publicly opposed the SMP. In September 2011 ECB Executive Board Member Jürgen Stark also resigned, a move that was interpreted as a protest against the SMP (Müller et al. 2011). These concerns are not only borne from the immediate impact of the SMP but the possible long-term effects, given the self-reinforcing mechanisms at work. Some pointed to this as evidence of the ECB's burgeoning role as a lender of last resort to sovereigns (Buiter and Rahbari 2012), a charge that ECB President Mario Draghi strongly denied (Draghi 2011b). This opposition is indicative of the challenges faced by reformers of a highly independent institution and the deep entrenchment of existing rules. Indeed, this controversial measure was undertaken with clear reference to existing rules on price stability, despite the distributive implications of buying the sovereign debt of peripheral economies.

In July 2012 ECB President Mario's Draghi's famous 'whatever it takes' speech vowed that the ECB would defend the Euro (Draghi 2012b). This was operationalized with the Outright Monetary Transactions (OMT) in which the ECB would make unlimited bond purchases on secondary markets for countries that were under a conditionality programme as part of a bailout from the European Stability Mechanism (ESM) or its predecessor, the European Financial Stability Facility (EFSF). Markets welcomed the announcement with sharply falling bond yields, as it had effect of removing concerns over currency redenomination or a Euro area breakup (Chang and Leblond 2015).

The ECB took great care to link the OMT to its price stability mandate (Barber and Steen 2012). While the roots of the OMT can be found in the SMP, the latter is much more modest in scope. The extraordinary promise of OMT to provide for unlimited bond purchases without seemingly breaking the prohibition against monetary financing exemplifies the feedback loops that occur with successive incremental changes, eventually permitting large-scale changes. While the differences between the SMP and the OMT may reflect the timing of the SMP (occurring at the start of the Euro crisis), it also provides another indication of Draghi's leadership (and Trichet's before) (Verdun 2017; Schoeller 2018) and the willingness to stretch the ECB's mandate to its limit. The OMT is a bigger and more extensive version of the SMP that therefore created larger risks for the ECB in terms of its potential generation of inflation and moral hazard. The SMP offered limited bond-buying on secondary markets while the OMT was specifically unlimited, with the need for a European Stability Mechanism programme grafted on top.

The OMT can therefore be considered an example of layering. This can also be viewed as an example of the self-reinforcing effects identified by historical institutionalists, as the earlier SMP policy had paved the way for the OMT in setting the initial precedent that was later amplified to fight the Euro crisis more aggressively. The more modest SMP already redirected ECB policy towards combatting the Euro crisis, and the OMT did so much more overtly. While the conversion had already taken place under the SMP, the OMT aroused greater opposition from German central bankers. The Bundesbank strongly opposed the OMT publicly, and a former Bundesbank official referred to the OMT as 'out of mandate' transactions (Stark 2012: 52). The German constitutional court also questioned its legality, ultimately ruling that it did not go against the German constitution after it had referred the issue to the European Court of Justice for a preliminary ruling; the latter decided that the OMT neither exceeded the ECB's mandate nor constituted monetary financing. These challenges point again to the preferred use of layering to reform an institution that is highly resistant to formal institutional changes, as identified by historical institutionalism.

Table 2 provides a summary of the different unconventional monetary policies covered in this section. The unconventional monetary policies of the ECB during relied largely on layering, in some cases preceded by conversion. The LTROs began as layering exercises during the global financial crisis, but their extension to 3-year maturities represented conversion as their impact temporarily reduced borrowing costs for Euro area governments in the periphery and allowed their banks to purchase additional government debt. Both of these factors departed from previous LTROs that were more limited in scope and did not have such clear distributive effects across the Euro area. Similarly, the asset purchase programme began with little fanfare in the form of covered bond purchases, a conversion of ECB policy towards economic growth that would be layered upon with subsequent expansion of the ECB's balance sheet with additional assets, including public debt. Finally, the SMP's conversion of ECB policy remained rooted in the primary mandate of the ECB but also provided the foundation for what would become the layering of the OMT.

The ECB's deviation from conventional monetary policy sparked concerns regarding the long-term impact on inflation, the ECB's balance sheets, and promoting moral hazard among the Member States. In particular, dissent within the ECB's Governing Council placed a further constraint on the willingness and ability of the ECB to take even bolder action during the crisis. Looking at other central banks like the US Federal Reserve and the Bank of England, for example, one could have seen a possible counterfactual of making use of the central bank's balance sheet much earlier. The agency of the ECB, bearing in mind important divisions within on the need to hew closely to the price stability mandate, help to explain the choice for more incremental changes that were justified on grounds relating to its central mandate to pursue price stability. The ECB, therefore, proceeded with caution in moving incrementally and in linking its actions to how they could promote price stability.

The ECB's accountability in the monetary realm has changed at the initiative of the ECB and focuses on improving its transparency further. Since 2015, for example, it has published the discussions of its Governing Council's monetary policy meetings. In addition, it publishes emergency liquidity assistance (ELA) decisions and procedures on its website. President Draghi has also visited national parliaments to explain the ECB's policies, visiting Germany (2012), Spain (2013). France (2013), Finland (2014) and Italy (2015).

The relationship between the European Parliament and the ECB has not changed formally since the crisis, and the principle of the ECB's independence remains intact. During the first decade of EMU, MEPs focused on growth and employment, while the ECB tended to restrict remarks to issues concerning price stability. From 2013-2016, however, about half of the MEP's questions related to financial supervision, country surveillance and Euro area governance reforms, and the number of questions posed to the ECB increased significantly. While the Monetary Dialogues do not seem to have influenced financial market expectations, they do contribute to greater transparency and therefore legitimacy (Collignon and Diessner 2016). Considering the fiscal implications of ECB actions during the sovereign debt crisis, however, the Monetary Dialogue's structure could be reconsidered to ensure adequate accountability (Belke 2014); it also could improve its focus and make better use of the expert reports (Whelan 2014).

**Table 2. Definition and duration of ECB's unconventional monetary policy**

| Type and variations | Longer Term Refinancing Operations | Asset Purchase Programme | Securities Market Programme | Outright Monetary Transactions |
|---|---|---|---|---|
| **6-month LTRO**<br>**1-year LTRO**<br>**3-year LTRO** (maturing on 29 January 2015 and on 26 February 2015) | Liquidity-providing operations in Euro with a duration of 3 months that was extended: 1) to 6 months and implemented in April 2008a; 2) to 1 year and implemented in June 2009; 3) to 3 years and implemented in December 2011 and February 2012 | | | |
| **Covered bond purchase programme (CBPP1)**<br>July 2009 – June 2010<br><br>**CBPP2**: November 2011-October 2012<br><br>**CBPP3**:<br>October 2014 – December 2018 | | Eurosystem purchases securities issued by non-bank corporations in both the primary and the secondary market. The programme ended, as planned, on 30 June 2010 when it reached a nominal amount of €60 billion.<br>CBPP2 ended, as planned, on 31 October 2012 when it reached a nominal amount of €16.4 billion.<br>CBPP3 ended, as planned, on 19 December 2018. Holdings in January 2019 amounted to €262,090 million. | | |
| **Public sector purchase programme**<br>March 2015 – December 2018 | | Eurosystem purchases of investment-grade securities issued by Euro area governments, agencies and European institutions in the secondary market. PSPP holdings amounted to €2,102,802 as of 8 February 2019. | | |
| **Corporate sector purchase programme**<br>June 2016 – December 2018 | | Eurosystem purchases securities issued by non-bank corporations established in the Euro area, in both the primary and the secondary market. CSPP holdings amounted to €177,812 as of January 2019. | | |
| **SMP**<br>May 2010 – August 2012<br><br>**OMT**<br>Never implemented | | | Announced by the Governing Council on 10 May 2010, the limited purchase of government debt | Announced in August 2012 that ECB would provide for the unlimited purchase of |

| Type and variations | Longer Term Refinancing Operations | Asset Purchase Programme | Securities Market Programme | Outright Monetary Transactions |
|---|---|---|---|---|
| | | | securities on the secondary market that are sterilised, Ended in 2012 with the announcement of OMT. | government bonds on the secondary market but would be subject to strict conditionality and require a European Stability Mechanism programme. |

## THE ECB AND FINANCIAL SUPERVISION

The Maastricht treaty envisaged a role for the ECB in financial supervision: Article 127.5 declares that the ECB 'shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system'. The Treaty Protocol on the ECB (Articles 25.1 and 25.2) created the legal possibility of delegating financial supervision to the ECB, though it supported the status quo of national supervision (Padoa-Schioppa 1999 cited in (Giavazzi and Wyplosz 2015). In June 2012, the European Council agreed to the creation of a banking union composed of a single supervisory mechanism (SSM), single resolution mechanism, and the single rulebook. The designation of the ECB as the SSM was the most straightforward in that it could be based on Article 127 (6) and therefore would not require a treaty change (Glöckler et al. 2017). The SSM was created under the aegis of the ECB in cooperation of national supervisory authorities. It directly supervises the largest and most important banks of the Euro area since 2014.

Banking union is the most significant step in European economic integration since the introduction of the Euro, and its role as the SSM puts the ECB at the heart of it. The ECB's designation as the SSM can be viewed as an example of displacement that necessitated major institutional change. The aforementioned typology of institutional change (Mahoney and Thelen 2009) would have predicted that the ECB be more prone to layering (a subversive) because despite its high level of independence, the strong Treaty constraints against bailouts and monetary financing force the ECB to be extremely cautious. A more revolutionary change would need to be instigated by the Member States rather than the ECB, as is what occurred in the appointing of the ECB as the Single Supervisory Mechanism and allowed for the displacement.

The gradual institutional changes categorized by historical institutionalism (summarized in Table 3) were particularly suited to the ECB's structure in light of the legal and political constraints that more aggressive changes would entail. The ECB's proclivity to evolve through layering reflects both the political context that has a strong and credible threat of vetoes for its actions (e.g. the pressure from the German Bundesbank and the legal cases against it). Its use of conversion and drift reflect the evolving economic environment that helped prompt the ECB to support ailing banks (and indirectly their sovereigns) in the context of the Euro crisis. As the crisis reached its boiling point and threatened to break up the Euro area, Member States also allowed for the ECB to evolve more substantially through displacement. Nevertheless, the self-reinforcing nature of institutions meant that even more modest changes like the SMP and 6-month LTROs paved the way for their more controversial successors like OMT and QE, making the accountability of the ECB of utmost concern.

**Table 3. Summary of ECB evolution within a historical institutionalist framework**

| | Layering | Conversion | Drift | Displacement |
|---|---|---|---|---|
| LTRO 6 month and 1 year | X | | | |
| LTRO 2011, 2012 | X | X | | |
| Asset Purchase Programme | X | X | | |
| Securities Market Programme | | X | | |
| Outright Monetary Transactions | X | | | |
| Single supervisory mechanism | | | | x |

The appointment of the ECB as the SSM generated a broadly similar accountability system to that found in the monetary realm. The ECB retains its independence as an institution in the exercise of both its monetary policymaking and supervisory functions (Braun 2017). However, while this was common practice for central banks to be independent in conducting monetary policy, it is not an automatic impulse to grant independence to financial supervisors. Moreover, while many Euro area countries' banking supervision was under the control of the central bank, this was not the case for all.

The ECB's accountability in banking supervision, like in monetary policymaking, rests on the principles of transparency and dialogue. Table 4 summarises the differences. The SSM Regulation (hereafter SSM-R) notes that 'any shift of supervisory powers from the Member States to the Union level should be balanced by appropriate transparency and accountability requirements'.

In addition, Art. 19(3) SSM-R demands that the Governing Council set up a Code of Conduct for ECB employees that are engaged with banking supervision, in a nod to the potential conflicts of interest (Braun 2017). In 2015 the ECB's Code of Conduct for Supervisory Board members entered into force, and the Ethics framework for all ECB employees was revised.

The accountability requirements in its financial role are more demanding than those relating to the monetary function. The SSM's Supervisory Board is accountable to a larger range of actors, including the Eurogroup and national parliaments. The Chair of the Supervisory Board meets with the European Parliament three times a year, once to present the annual report to the plenary and twice to meet with ECON to explain how the ECB has executed its supervisory tasks as well as to respond to questions. The European Parliament can request additional meetings as well. These supplementary measures resemble a layering of the ECB's accountability requirements in the monetary sphere. The basic assumptions of the central bank's independence remain, however, with a few additional requirements grafted on.

**Table 4. ECB accountability for monetary policymaking and banking supervision**

| Mechanism | Monetary policymaking | Banking supervision |
|---|---|---|
| Appointment of leadership | European Council makes Executive Board appointments by qualified majority, European Parliament is consulted Art. 283(2) | Chair and vice chair of Supervisory Board appointed by the Council and European Parliament (approved by ECON and plenary) upon suggestion of the Governing Council |
| Dismissal of leadership | Court of Justice can dismiss Executive Board members, at the request of the Governing Council or the Executive Board | EP has right to approve removal of chair and vice chair of Supervisory Board |

| Mechanism | Monetary policymaking | Banking supervision |
|---|---|---|
| Submission of annual report | Sent to the EP, Commission, Council, and the European Council<br><br>Art. 284 TFEU | Sent to the EP, Commission, Council, Eurogroup, and national parliaments of Euro area member states<br>Article 20 SSM-R |
| Presentation of annual report | ECB President presents to the EP | Chair of Supervisory Board presents report in public to the EP and the Eurogroup |
| Requests for hearings | EP can consult with President and other Executive Board members<br>Article 284.3 | EP and Eurogroup can request a hearing with Chair of the Supervisory Board |
| Response to questions | Monetary Dialogue 4x/year<br>MEPs can submit questions to the ECB (up to 6/month) and get a written response from ECB within 6 weeks of receipt | ECB must provide written or oral response from MEPs, MPs, or Eurogroup |
| Requests for private hearings | | Chair and vice chair of ECON can request meeting with Chair of the Supervisory Board, who must "cooperate sincerely" with "investigations" by the EP |
| Participation in ECB meetings | Council and Commission invited to attend Governing Council meetings (nonvoting and subject to strict confidentiality)<br>Article 284.3<br>In practice, Eurogroup President attends Governing Council meetings (Braun 2017) | |

The maintenance of the ECB's high degree of independence has come under greater scrutiny since acquiring competence over financial supervision; previous research questioned the delegation of financial supervision to an independent central bank (Westrup 2007). Granting central banks too much power over macro-prudential and micro-prudential stability could threaten the effectiveness of monetary policymaking as well (Buiter 2012). Concerns over a possible conflict of interest between monetary policymaking and banking supervision (Copelovitch and Singer 2008) prompted the requirement for the ECB to demonstrate in its Annual Report how it ensured that monetary policy decisions were considered separately from those related to banking supervision (found in both the inter-institutional agreement with the European Parliament (published 30 November 2013) and memorandum of understanding with the Council (signed December 2015)). Despite the continued debate on the desirability of central bank independence since the global financial crisis (Tucker 2018), recent research indicates that central bank independence remains the norm (Blinder et al. 2017; de Haan et al. 2018).

## CONCLUSION

The ECB faced important political and legal constraints during the Euro crisis that forced it to gradually build its arsenal rather than immediately revealing a big bazooka. The price of its high degree of independence was a primary mandate that would prevent it from embarking on policies that would have strong redistributive results.

Nevertheless, the feedback loops identified by the historical institutionalism literature led to unintended consequences that over time allowed the ECB to push the limits of (and possibly exceed) the mandate set out in the treaties. The redirection of ECB policy during the crisis combined with a gradual layering of policies enabled the ECB to take actions that at least bordered on lender of resort functions.

The ECB's independence that was established in the Maastricht Treaty not only constrained the ECB's actions but also the actors and institutions that could keep it accountable. The ECB's acquisition of financial supervisory competence provided a sharp contrast in institutional change, but its accountability structure showed remarkable continuity. Indeed, once again layering was the ideal type most closely in line with the evolution of the ECB's accountability despite the very different nature of financial supervision versus monetary policymaking, with the latter being more political rather than technocratic and possibly leading to conflicts of interest between the two functions. To deal with this increased complexity, the ECB's accountability requirements have become more substantial but are quite similar in spirit to what it had been required to do when it only made monetary policy. The consequences of central bank independence, intended and unintended, indicate the need to think more critically about Euro area governance and the accountability system.

## ACKNOWLEDGEMENTS

I would like to thank Martin Sacher, Igor Tkalec, the JCER editors and the anonymous reviewers for their assistance and feedback in the completion of this paper. I also thank the College of Europe's Research Fund for their financial support of this project.

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Journal of Contemporary
European Research

Volume 15, Issue 2 (2019)

Research Article

# Expertise in European Economic Governance: A Feminist Analysis

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***Citation***

O'Dwyer, M. (2019). 'Expertise in European Economic Governance: A Feminist Analysis', *Journal of Contemporary European Research* 15(2): 162-178.
https://doi.org/ 10.30950/jcer.v15i2.1007

First published at: www.jcer.net

# Abstract

Recent years have seen a distinctive transformation in EU economic governance, including the introduction of a regime of oversight and recommendation as well as the establishment of new policymaking, oversight and expert institutions at both the European and member state levels. These changes raise questions about legal and political accountability, and about the current state of integration. Debates over the political nature of contemporary economic governance have, thus far, ignored the role that the politics of gender may be playing in constructing and legitimising this regime. While much research has documented the gendered impacts of this regime, there remains a gap in the literature concerning how gender influences the regime itself. This article addresses this gap by exploring two ways in which gender politics have shaped and legitimised the new regime. First, it explores the gendered nature of economic expertise within EU economic governance. Secondly, it explores the framing of the economic crisis, and show how the narratives of the crisis helped to create this gendered regime. The article explores the gendered nature of the process of seeking legitimacy in economic policy, and so the analysis helps to deepen the understanding of the politics behind economic policy more broadly.

# Keywords

EU economic governance; Expertise; Gender; Legitimacy

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According to Scharpf (2013), the economic governance regime of the EU can be understood as 'a legally and politically unconstrained expert regime' (Scharpf 2013: 12). In this reading, not only are experts and expertise central to economic governance in the EU, they in fact hold a position of uncontested and 'unconstrained' influence. There has been a shift away from politicised economic governance to the technocratic, an apolitical economic governance regime at the European level (Ruser 2015; Guerrina 2017). This shift has taken place at member state level, with the empowerment of the executive branch at the expense of parliaments (Maatsch and Cooper 2017; Jančić 2016), and at the European level, with a similar sidelining of the European Parliament in economic governance (Rittberger 2014; Guerrina 2017; Fasone 2014).

Like much of the political economy of ideas literature, Scharpf (2013) does not explore the gendered nature of this regime. Other political economy research that identifies the specific form of economic knowledge (Streeck 2011; Helgadóttir 2016; Fourcade 2006) within European economic policymaking does not analyse the gendered nature of governance either. This reflects broader trends in the EU studies literature, that have been convincingly critiqued elsewhere (Guerrina, Haastrup, Wright, Masselot, et al. 2018). There has been some work that recognises the gendered nature of the economic knowledge underpinning the EU's new governance regime (Guerrina 2017; Bruff and Wöhl 2016). However, this work takes this recognition as a starting point, rather than investigating how such expertise is gendered. There is a similar gap in the debates over the role of professional and academic economists in the adoption of austerity programmes in Europe and elsewhere in the early decades of the 21st century (Farrell and Quiggin 2012), as well as in the research agenda seeking to understand why 'bad ideas' have triumphed in European economy policymaking (Schmidt 2016;Lehndorff 2012; Blyth 2013a). This literature identifies the role of experts, but for the most part it does not focus on how expertise as a narrative is itself part of this policymaking process. Additionally, the identified literature does not unpack or examine the gendered nature of expertise and expert influence.

The current EU economic governance regime can be seen as normalisation of the surveillance and guidance system developed for the member states which were in receipt of a Troika loan. This system of oversight, advice, recommendations and evaluation was represented by the physical presence of expert groups in each member state under a bailout programme. Additionally, there has been a promotion of a new expert regime through the establishment or, in some cases, an increased authority of national level fiscal advisory councils as required by the new rules adopted after the crisis. These institutions are specifically charged with providing expert advice to member state governments, and also with assisting in the reporting to the expert oversight system at the EU level.

In this article, I use a discourse analysis approach to examine the gendered nature of EU economic governance. More specifically, I apply an approach informed by feminist discourse analysis (Lombardo and Meier 2008; Lazar 2007), that appreciates the gendered dynamics of language and is attentive to power dynamics within discourses. This approach can highlight the work that gender is doing in particular discourses, such as providing coherence to policy programmes (O'Dwyer 2018a). The article maps the role of expertise in EU economic governance, identifying the institutional shifts that empowered a particular type of expertise, while also sidelining gender equality concerns. It uses in-depth analysis of key documents to highlight the centrality of expertise to EU economic governance. It also demonstrates the gendered power dynamic that emerges from the dominance of 'the expert', in particular through a process of depoliticisation of decision-making in economic policy. In so doing, this article offers an in-depth analysis of the depoliticisation of economic governance, while also problematising this process from a feminist perspective.

## FINDING GENDER IN EXPERTISE

In this section I briefly set out what I mean by a gendered expertise regime. I outline indicators of both an expertise regime itself, as well as how it may be gendered. The following sections then examine whether such expectations are realised in EU economic governance.

Historically, there has been a clear link between expertise and gender, including in areas of economic expertise. The professions associated with expertise were traditionally closed off to women, and even now there tends to be a majority of men in the more senior level of the legal and economic professions (Jonung and Ståhlberg 2008; Ginther and Kahn 2004). This historical inequality has left a legacy of a particular understanding of expertise. In particular, it has shaped the way that experts are expected to look and speak. The public image of the expert is a particularly masculine image. It is also infused with racialised and class-based understandings of authority. So, the stereotype of an expert is a white, well-educated man, usually in a suit (Griffin 2013; Beneria 1999). This has aligned with various dominant types of expertise throughout history, from religious leaders, to philosophers, politicians and now, the expression of hegemonic masculinity in the time of advanced and globalised capital, that of the 'Davos man' (Beneria 1999). Economic expertise is gendered in substance as well as style. There is a striking male dominance in the field of economics (Ferber and Nelson 2009; Elson 1995, 1994; Bakker 2007). For example, in the United Kingdom, women make up just 24 per cent of academic economists (Tonin and Wahba 2015).

Additionally, positions of economic decision-making are male dominated. For example, an analysis of the main networks of financial governance after the Global Financial Crisis found an overwhelming male dominance in international financial governance, (Schuberth and Young 2011). Of the 76 people awarded the Nobel Memorial prize in economics, only one has been a woman. Economics as a discipline and a profession is overwhelmingly male dominated. In a classic example of role-model theory, this dominance is self-perpetuating. As the majority of visible economic experts are male, male-ness itself becomes associated with economic expertise (West and Zimmerman 1987; Pearse and Connell 2015).

The analysis below documents my investigation of a gendered expertise regime in EU economic governance. Potential indicators of a gendered regime include the presentation of expertise as independent, objective, apolitical and preferable to other forms of decision-making. The gendered nature of such a regime will be observable in a construction of economic expertise that does not consider the inclusion of feminist or gender sensitive knowledge, and that does not see the male-dominance of expert groups and spaces as problematic. Additionally, a gendered expertise regime will result in depoliticisation of economic governance. This depoliticisation is discussed next.

Depoliticisation is not actually a process of removing all politics from a policy space. Rather, it is a process of removing some aspects of politics. Put another way, depoliticisation is the shifting of decision-making responsibility between political actors. In this sense, it is a very political move (Fawcett, Flinders, Wood and Hay 2017). It can serve to exclude ideas and actors through moving decisions to more exclusive forums, thus preventing contestation of policy choices. It is an act of silencing, and as such is deeply political. Depoliticisation can be both discursive and more structural. For example, it can result from a particular narrative around the respective roles of experts and elected representatives. But it can also result from the formal institutional rules of a particular policy area. Such rules can exclude political actors, while guaranteeing the place of experts or other non-elected or non-accountable actors.

Both discursive and structural types of exclusion and depoliticisation have potential gendered ramifications. Woodward's (2004) theory of 'velvet triangles' describes the necessary coalitions for feminist or gender equality policy to succeed in the EU. She identified three key actors or groups of actors in this process. Elected feminist officials, in particular from the European Parliament, work with 'femocrats' based in the Commission and with feminist academics and activists to collectively push forward a gender equality agenda. Subsequent research on the absence or presence of gender equality concerns, for example in migration policy, has supported this theory (Kantola 2010; Haastrup and Kenny 2016). This research points to the need for all three 'sides' of the triangle to be present in order to have feminist policy influence. The Velvet Triangle theory is therefore highly useful for examining a policy area where there have been changes in the levels of access for feminist actors. Depoliticisation prevents the mobilisation of velvet triangles in several ways: by excluding the input of the Parliament, by excluding femocrats and their expertise and by portraying gender equality concerns as political, and therefore inappropriate for depoliticised policymaking. Thus, depoliticisation can be understood as a gendered process, as it acts to exclude feminist analysis and to perpetuate gender-blind policymaking.

## DISCOURSE AND THE PROCESS OF LEGITIMACY

I follow Scharpf (2013, 1999) in his distinction between input and output legitimacy, focusing on how output legitimacy is generated in the field of contemporary economic governance. While it has been fruitfully applied to discussions on legitimacy at the national level, this approach is also particularly useful for describing legitimacy in the EU, since it allows for the analysis of legitimacy even where democratic input and oversight may be lacking, or at are least different in character to that experienced at a national level. In Scharpf's (1999) seminal account, legitimate governance meets the criteria of both 'government by the people' and 'government for the people'. Input legitimacy is concerned with the processes of decision-making and with who participates in that decision-making. Input legitimacy is about 'government by the people': it concerns whether or not the citizens have an adequate say in the rules that govern them. Decisions have input legitimacy when those taking the decisions are legitimate representatives and where all appropriate viewpoints are considered. Input legitimacy, then, is clearly often lacking in EU policymaking.

Therefore, output legitimacy is key in analysing and evaluating legitimacy with regard to EU economic governance. Output legitimacy considers the impact of decisions on economic and employment performance. Output legitimacy therefore concerns the standard of 'government for the people'. Output legitimacy has often been the focus of defenders of the European Union. In particular before the crisis, the benefits of EU membership and of EU legislation were said to legitimate the transfer of powers from national governments to the EU level. However, in the wake of the economic crisis and the transformation of economic governance that followed, output legitimacy has become increasingly contested (Seikel 2016; Jones 2015). These circumstances of contested legitimacy highlight the usefulness of understanding legitimacy as a process, rather than as a binary state. As Rosamond (2002: 160) notes, 'the project of economic integration cannot be accomplished without intensive activism on behalf of the generation of mass loyalties to "Europe"'. Thus, legitimacy is a constant aspiration and a constant process of communication and rhetoric.

In the aftermath of the crisis, and of the reforms it prompted, the role of discourse in shaping output legitimacy is increasingly important for scholarship. Weiler (2012) suggests as much when he points to the role of high-profile leaders providing a vision, or narrative, in legitimising the EU. Della Sala (2010) explored the role of myths and narratives in legitimising integration (see also Hall 2012) and McNamara (2015a; 2015b) has shown that the symbolism of the EU along with economic narratives (McNamara 1999, 1998) have served to embed a type of legitimising process that is inherently discursive and communicative. While the idea of 'throughput legitimacy' (Schmidt 2013) is also important for understanding the role of expertise, the focus of this paper is on the role that expertise is playing in output legitimacy. One of the key contributions of this paper is to show how this process of seeking output legitimacy is deeply intertwined with gender.

## A GENDERED EXPERTISE REGIME

EU economic governance is built around the assumption of a 'technocratic' approach to economic decision-making, which assumes that there is a 'best practice' model to follow. As Scharpf (2016) and others have argued, expertise based decision-making has replaced political contestation (Scharpf 2016, 2013; Kreuder-Sonnen 2016). This is not a wholly new phenomenon. Throughout its history, the EU has been subject to criticism for its emphasis on technocracy or expert-led policymaking. In particular, the Commission's main resources are knowledge and expertise, as opposed to a budget or enforcement powers such as a police force. It has used these resources in the on-going power contests between the EU institutions (Radaelli 1999; Bartl 2017). There is a complex and often opaque network of experts designing, monitoring and implementing the regime. The technocratic character of European policymaking is not new and has been well documented (Radaelli 1999).

This analysis is not intended to be a complete mapping of economic policymaking at the EU level. Indeed, due to the informal nature of some such sites of decision-making, any such map will be somewhat incomplete. However, this analysis is certainly illustrative, crossing the multiple institutions involved, and capturing the gender breakdown of policymaking at various levels of authority. Additionally, given the overwhelming trend of male dominance that can be observed, it is an important starting point for evaluating the gendered nature of expertise in EU economic governance.

Table 1 outlines the gender breakdown of the key decision-making bodies in the EU's economic governance, covering the Council, Commission, Parliament and the European Central Bank. These groups make up the formal architecture of economic governance in the EU. While there is some clear variation, each and every group is male dominated. This is starkest at the top level of decision-making, with the 'five presidents' all currently male. All of these positions have been historically held by men, with the exception of the President of the European Parliament, which has been held by women twice in its entire history. Within the current Parliament, there is also a, relatively, high number of women on the Committee on Economic and Monetary Affairs, though at 23 per cent, it is far from a level of equality. It should be noted that some of these groups are populated based on the pre-existing position of the members. For example, ECOFIN is the Council configuration of finance ministers, and the Eurogroup is made up of finance ministers from Euro area states. As such, they are not impacted by direct gender equality initiatives in hiring and promotion. In contrast, the staffing of the Directorate General for Economic and Financial Affairs of the European Commission (DG ECFIN), which is subject to such initiatives, has an, again relatively, high number of women, with 32 per cent at the administrator level.

**Table 1. Gender breakdown of decision makers in EU economic governance**

| Position/Level: | Male (%) | Female (%) |
|---|---|---|
| President (Parliament, Euro group, European Central Bank, Commission, Council) | 5 (100%) | 0 (0%) |
| DG ECFIN (Commissioner, Director General and Deputy Directors General) | 3 (75%) | 1 (25%) |
| DG ECFIN Director and Head of Unit Level | 35 (73%) | 13 (27%) |
| DG ECFIN Administrator Level | 260 (68%) | 120 (32%) |
| ECB Governing Council | 23 (92%) | 2 (8%) |
| Eurogroup | 17 (89%) | 2 (10%) |
| ECOFIN Council | 25 (89%) | 3 (11%) |
| European Parliament Committee on Economic and Monetary Affairs | 47 (77%) | 14 (23%) |

*Sources:* Europa.eu, ECFIN Organisation Chart, Commission Statistical Bulletin Active Staff by Directorate-General and Gender, http://www.ecb.europa.eu/. All accurate as of 22 March 2017

Overall this table illustrates a stark imbalance in the make-up of key decision-making sites. This has several implications for democracy (Schuberth and Young 2011), for decision-making quality (Walby 2015), for gender equality moving forward and for the working culture of these spaces (Guerrina 2017). Table 2 below adds to these observations. It lists the gender breakdown of two key review groups on economic governance: the European Council Task Force on Economic Governance, and the High Level Group on Financial Supervision in the EU, appointed by the Commission. Both were tasked with reporting on the causes of the crisis and with recommending reforms for the Economic and Monetary Union. As can be seen, both groups are male dominated, with the latter completely composed of male members. These reports form the basis of the story of the crisis and shaped the crisis-era reform of EU economic governance from the beginning. As such, their striking imbalance is a strong initial indicator of a gendered expertise regime.

**Table 2 - Gender Breakdown of Membership of Review Groups on the Economic Crisis**

| Group: | Male (%) | Female (%) |
|---|---|---|
| European Council Task Force on Economic Governance | 35 (92%) | 3 (8%) |
| High Level Group on Financial Supervision in the EU (members and secretariat) | 12 (100%) | 0 (0%) |

*Sources*: http://www.consilium.europa.eu/en/press/press-releases/2010/10/pdf/strengthening-economic-governance-in-the-eu-report-of-the-task-force-to-the-european-council/,https://ec.europa.eu/info/files/report-high-level-group-financial-supervision-eu-chaired-jacques-de-larosiere_en

As Schuberth and Young (2011) note in their analysis of the male dominance of global financial governance, there are still pervasive, though perhaps subconscious, biases around women and economic knowledge: 'the ideological premise that women deviate from economic rationality, that they are inherently less rational, less proficient in mathematics, formal economics and science serves to justify women's exclusion' (Schuberth and Young 2011: 136). These gendered ideas about economic decision-making and rationality manifest in many ways, and while they are not nearly as prominent in current discourses as they may have historically been, their influence is still observable. For example, much work has been done to show how the symbolism and imagery used to describe the Global Financial Crisis reflects these gendered ideas about risk and rationality (Hozić and True 2017, 2016; Griffin 2013). The influence of these ideas about gender can still be seen today in the disparities in the academic and professional fields of economics (Kahn 1995; Ferber and Nelson 2009; Elson 1995). There are existing biases within our shared social understandings of economics and expertise that perpetuate the male dominance of these spaces. These biases create symbols and norms about expertise, which combine with existing and historical structural barriers to women's work and education to result in the overwhelming disparities discussed earlier. These biases are what make an all-male expert panel seem unremarkable. They are remarkable, however, as observable indicators of exactly these biases and discriminations.

The male-dominated expert groups described above do not just result from biases, they create and perpetuate them. Since all people, both men and women, are socially situated beings, they bring with them their own particular experience and therefore outlook to decisions. A decision-making space that is male-dominated is therefore likely to suffer from such homogeneity, through groupthink and lack of diverse opinions. This is not a result of male-dominance itself, but rather a result of the lack of diversity (Bartl 2017). As such, when other characteristics such as race and class or educational background are so widely shared amongst the group, other biases are also possible. This is especially notable given recent work that has shown a marked difference in the outlook of male and female economists (May, McGarvey and Kucera 2018). This is not to say that one outlook is inherently more correct, but rather to point to the clear connection between gender diversity and diversity in economic debates, and so to the connection between homogeneity of decision makers and homogeneity of viewpoints.

Within a set of EU economic governance documents that I have analysed (O'Dwyer 2017), the most common description word that accompanies 'expert' or 'expertise' is 'independent'. 'Non-political' is also a common description of experts throughout the documents, in particular when describing the makeup of expert or advisory groups (European Commission 2016). Expertise is called upon to legitimise the forecasts and reviews of the European Semester, the EU's annual cycle of economic policy coordination, and is presented as the opposite of political. This transfer of economic governance from the political sphere to an expertise sphere is clearly important in the legitimising strategy of the regime. The exercise of authority needs to be perceived as 'apolitical' in order for the sort of legitimacy being sought to be considered appropriate, as it is associated with 'objectivity'. The legitimacy being sought is very much of the 'output' type, following Scharpf's (1999) distinction. It is also concerned with convincing important external actors and groups of the legitimacy and correctness of policy decisions. This type of depoliticisation is often understood as technocracy, or the rule by technocrats or experts, and has long been of concern to democratic theorists (Ruser 2015; Fischer 2009, 1990; Coburn 2016) as well as to feminist scholars (Schuberth and Young 2011; Guerrina 2017; Fraser 2013).

This emphasis on expertise helps to normalise the exclusion of feminist influence on policy decisions. As discussed above, for feminist or gender sensitive contributions to have a tangible impact on policy, three groups of actors need to cooperate in 'velvet triangles'. Depoliticisation prevents this through the sidelining of political actors, including the European Parliament. The Parliament, in particular the Committee on Women's Rights and Gender Equality, has traditionally been a key part in 'velvet triangles' (Woodward 2004), through raising issues of gender equality and providing both resources and a forum for addressing them. Additionally, input from 'femocrats' into economic policymaking is increasingly lacking, due in part to the transfer of gender equality policy from the European Commission's Directorate General for Employment to the Directorate General for Justice (Guerrina 2017; Cavaghan 2017). This institutional change combines with the discursive mechanism of depoliticisation to exclude feminist concerns from economic governance. Indeed, it is not only feminist concerns that experience this. Recent work has also highlighted the limited scope for social concerns within the European Semester (Dawson 2018; Clauwaert 2015).

Economic expertise manifests as a transnational phenomenon (Fourcade 2006). It is present in the global language of economics – a formalised, mathematical and abstract vocabulary that shapes debates on economic policy. Ability to interact in this language is one of the key legitimacy requirements for economic decision-making, both at the national and at the EU level. It is a key mechanism in reassuring economic markets of policy-makers abilities and aims (Schmidt 2014; Laffan 2014). It is through this language that the network of economic expertise is delineated. Ability to speak it is an essential entry criterion. This network has been analysed before, in the literature on the neoliberal economists of the Chicago school (Valdés 1995; Silva 1991), or more recently with regard to the EU, in the prominence of graduates of a particular university, the 'Bocconi Boys' (Helgadóttir 2016; Dellepiane-Avellaneda 2015; Blyth 2013b). Both the Chicago and Bocconi boys are indeed overwhelmingly male, a trait that goes unremarked by the majority of scholarship on their authority and reach.

This is part of the 'inevitable homogeneity' of such expert networks (Lord 2007; Bartl 2017). As Schuberth and Young (2011:137) note, in regard to global financial governance, 'the various networks of knowledge-based experts are basically exclusive men's clubs, equipped with an authoritative claim to policy-relevant knowledge'. Moreover, the male dominance of decision-making spaces discussed earlier is not simply an example of gender inequality, or a consequence of implicit biases about gender and economic knowledge. It is, in fact, a key factor in legitimising the authority of those spaces. Quite simply, by being made up predominantly of a specific type of man (well educated, white, in a suit), they look like experts. Within male-dominated spaces, male-ness confers authority (Sanday 1981; Acker 1990). Additionally, men in such positions of authority and expertise do not face the obstacles to being heard that women in similar positions often face (Beard 2017, 2014). Male dominated economic expert groups perpetuate the stereotypes of gendered abilities with regard to economic knowledge, and simultaneously they are themselves perpetuated and legitimised through the fact of their male dominance. That the economic governance regime is communicated by these paradigmatic experts therefore helps increase the acceptance of this new regime among the wider constituency of experts.

Performance of the role of expert serves 'the transformation of economic knowledge into a technology of political and bureaucratic power' (Helgadóttir 2016: 394). What is interesting is how gender norms about economic expertise serve to normalise, and therefore legitimise the new regime. Male-ness is itself an implicit appeal to expert authority. In the same way that the use of formalised mathematical language has served to legitimise economic ideas (Helgadóttir 2016; Fourcade 2006), simply being perceived as male grants authority to the expert, in ways that are excluded to women and those who do not fit the stereotype of the male expert (Griffin 2013; Connell and Messerschmidt 2005). The existing male dominance of economic expertise sets an implicit expectation about the gender of experts, and men therefore benefit by meeting such an expectation. But male dominance in this area arose in part due to a complex collection of assumptions and norms around rationality and gender, some of which continue to shape social views on gender today (Schuberth and Young 2011; Griffin 2015, 2013). These norms have been observed in public perceptions of male and female politicians, in corporate managers and in the classroom (Kahn 1992; Johnson, Murphy, Zewdie and Reichard 2008; Huddy and Terkildsen 1993; Bennett 1982; Alexander and Andersen 1993).

This performance of a particular type of male expertise is, of course, not open to all men. Additionally, there are some notable women in key positions of economic policy making. However, the overall performance of expertise it is distinctively masculine, in a similar fashion to the masculinity of the Davos man or the examples of hegemonic masculinity in security studies and other fields (Kronsell 2016; Ferber and Nelson 2009; Connell and Messerschmidt 2005; Beneria 1999). In EU economic governance, like in many other fields (Beard 2017), there is a pre-existing image of expertise and authority for men, in a way that there simply is not for women. Crucially, by populating expert spaces with mostly men, EU economic governance is, inadvertently or not, benefitting from, and perpetuating, this bias.

According to Fischer (1990: 14) 'expert knowledge and technocratic practices have become key political resources sustaining increasingly undemocratic forms of decision-making'. This is what is taking place with EU economic governance. As Kreuder-Sonnen (2016: 10) notes, 'authoritarian structures are being stabilized by political and judicial deference to delegated (expert) authority which is trusted to expand the normative constraints on delegation only for the sake of a higher good, that is, economic stability'. The process of depoliticising EU economic governance involves congruence with a wider norm of depoliticised economic governance. From central bank independence, to balanced budget laws, this trend of removing economic policy from arenas of democratic politics is a key background to the depoliticisation of EU economic governance (Ruser 2015; Bartl 2017).

Just as we see an increase in the numbers of women in national parliaments, and in the European Parliament (Hughes, Krook and Paxton 2015), economic decision-making is being moved away from parliaments towards finance ministries, centralised executives and central banks (Maatsch 2016, 2015; Jančić 2016). These venues, of course, remain male dominated (Walby 2015; Schuberth and Young 2011). While it is not within the scope of this article to investigate the causality of such movements, evidence from organisational research into the effects of changing gender demographics of occupations suggest that there may be a connection between increasing female representation and decreasing authority (Johnson, Murphy, Zewdie and Reichard 2008). This gendered expertise regime is legitimised by setting implicit expectations of who experts are that, once met, serve to normalise an exercise of authority. It is not an answer to questions of legitimacy, but rather a mechanism for preventing the question from being asked in the first place.

Redistributive decisions take place in the context of gendered societies and economies. This is why economic policy can be so easily gendered through omission of gender analysis (O'Dwyer 2018a; Elson 1994). An economic policy that ignores the gendered nature of society and the economy results in gender bias by omission (O'Dwyer 2018a). Removing this policy from political contestation then removes the avenues for alternative analysis, which could counteract this bias. In particular, gender analysis is specifically impacted by the depoliticisation through expertise, as gender concerns are viewed as explicitly political concerns. Therefore, the third actors in the potential velvet triangle, feminist academics or activists, are also excluded (Guerrina 2017). These actors are excluded because their concerns are viewed as inappropriately political, and because by the very fact of being concerned with them, such actors do not fill the profile of the expert reified in the regime. How this dominance of expertise came about can be better understood by exploring the framing narrative of the crisis itself, as I do in the following section.

## FRAMING THE DUAL PROBLEMS OF EXPERTISE AND POLITICS

In this section, I explore the role of the discourse of expertise in the problem framing process. A framing process is the way in which the parameters of policy debate are set (Lombardo and Meier 2008; Laffan 2014; Daviter 2007; Atikcan 2015). The framing draws boundaries around the potential policy responses to a problem, and also often implies the best solution. To put it differently, the solution to the problem is embedded within how the problem is described. Two problems arise from the framing of the crisis. The first is the problem narrative of the economic crisis as a crisis of expertise. This is a story of the crisis as resulting from a lack of appropriate expertise, or a lack of compliance with the recommendations of that appropriate (or 'best') expertise. Secondly, there is the story of the crisis as one of politics itself. In this telling, the crisis resulted from the over-politicisation of economic policy. Clearly, the implied and embedded solution for this problem is a much greater role for experts, and a lesser role for politics. This section presents and discusses an in-depth examination of two key documents, exploring both what is absent from their analysis, and examining key quotations. These papers come from different time points: a European Economy paper[1] from 2010, 'The Stability and Growth Pact: Lessons from the Great Recession' (hereafter Lessons) with authors from DG ECFIN, the OECD and the Swedish Fiscal Council, and a Commission communication from 2012 'A Blueprint for a Deep and Genuine Economic and Monetary Union' (hereafter Blueprint). Both papers focus on EU economic governance reforms in the course of the economic crisis.

## THE CRISIS AS A CRISIS OF EXPERTISE

The Lessons paper seeks to identify the flaws in the pre-crisis economic governance regime and connects them to proposed solutions and reforms. As the authors note, 'crises are catalysts for reform and change – they initiate a process of policy learning' (Larch, Van den Noord and Jonung 2010: 16). This paper then considers what reforms and changes have become possible in the wake of the crisis. As if to drive this point home, the paper opens with the famous quote from former White House Chief of Staff, Rahm Emanuel, proposing that 'you should never let a serious crisis go to waste. And what I mean by that is it's an opportunity to do things you think you could not do before'.

In Lessons, a primary cause of the crisis is a lack of expertise. This is portrayed as either a lack of personnel, or, more often, as a lack of follow through on, or acceptance of, the advice of experts. The paper identifies, for example, poor quality statistical and econometric information from some member states as a key flaw in the pre-crisis system (Larch, Van den Noord and Jonung 2010). This flaw is presented as a result of a lack of expertise. Further, in the Blueprint paper, it seems that it is specifically EU level expertise that was lacking: 'national economic policy-making paid insufficient attention to the European context within which the economies operate' (European Commission 2012: 3). It states that 'a major weakness of the pre-crisis surveillance arrangements was the lack of systematic surveillance of macroeconomic imbalances and competitiveness developments' (European Commission 2012: 6). The language of this paper is passive, and does not identify who exactly will be doing the overseeing and surveillance. However, by looking at the reforms that are proposed and have been adopted since, it is clear that it is not elected representatives, but rather 'independent experts' who will be the main actors in this reformed Economic and Monetary Union.

This narrative of the crisis as a crisis of expertise frames the establishment of a network of national fiscal councils, and at the European level, the European Fiscal Board. This board, which contains one woman in its membership of five, is made up of 'respected international experts' (European Commission 2016). While the documentation of the board insists that the selection process for the board membership did aim to 'strike a balance in terms of […] gender' (European Commission 2016), this clearly has not resulted in an even or 'balanced' representation. This expert group is mandated to provide an independent assessment of national level budgets but is also charged with leading public debate on economic governance. As such, it is the expertise of the European Fiscal Board that is supposed to frame the discussion of EU economic governance, by establishing a basis of expert knowledge that informs debates at both the European and national level. It is therefore within the power of the experts to close off certain avenues of critique or analysis, this being reflected in how they frame the debate.

Finally, it is worth noting the absence of gender analysis from this narrative of the crisis. Issues such as gender inequality in the economy, or in particular the divergence in gender inequalities across member states, are not considered or even mentioned. In none of these key documents is there a consideration of the absence of gender expertise. Put another way, none of these documents considers the lack of implementation of gender mainstreaming to be worth investigating. Interestingly, the same cannot quite be said for the Global Financial Crisis, where part of the narrative of the crisis involves a gender analysis of decision-makers, perhaps best typified in the question of whether the crisis would have happened if 'Lehman Brothers had been Lehman Sisters' (Walby 2010; Hozić and True 2016). While this narrative is essentialist and partial and has not led to the inclusion of gender concerns in post crisis reforms in the US or elsewhere, it is still notably different from the narrative of the euro crisis. The consequence of this absence of any gender analysis is visible in the resulting solutions to crisis, both proposed and implemented. If a gender analysis is never part of the framing discussion of the problem, it becomes even less likely to be involved in the solution.

## THE CRISIS AS POLITICS – 'JUNCKER'S CURSE'

> 'We all know what to do, we just don't know how to get re-elected once we have done it' - Jean-Claude Juncker. (quoted in Larch, Van den Noord and Jonung 2010: 26)

This formulation from the President of the European Commission, Jean-Claude Juncker, seems to strike a chord with many politicians and analysts. It reflects the bind which governments supposedly find themselves in when attempting to govern modern capitalist societies experiencing a crisis. The necessary adjustments or reforms to save the economy are too politically unpalatable to be applied. While both the Blueprint and Lessons papers that have been analysed above conclude with remarks of varying vagueness concerning strengthening democratic legitimacy, electoral and representative politics are presented as barriers to reform, and even a cause of the crisis.

Understandably, the criticisms of democratic politics in these papers are often indirect. The Lessons paper identifies a 'key pathology' of economic policy: pro-cyclical decisions in good times. It also connects the failure of expertise to prevent the crisis with an implementation failure of member state governments. Discussing the sluggish pace of economic reforms, it refers to the 'difficulty of most democratic governance structures to reconcile heterogeneous and conflicting interests' (Larch, Van den Noord and Jonung 2010), despite that being, of course, one of the purposes of democratic government. The language of 'pathology' implies that this type of pro-cyclical policymaking is inevitable, rather than the outcome of democratic contestation (Larch, Van den Noord and Jonung 2010). As such, the paper is not criticising democracy directly, but by describing what the authors view as an inevitable consequence of democratic politics as a contributing factor to the crisis, they establish the grounds for removing democratic control.

At the level of EU politics, the paper singles out the crisis of the Stability and Growth Pact, where France and Germany went unsanctioned for their non-compliance with their fiscal obligations under the pact in 2003. The paper identifies 'the large degree of discretion with which fiscal surveillance is implemented and the ultimate power of the Member States within the Council to implement or not to implement the provision [for sanctions]' as the main challenge to be addressed. What resolves these difficulties of representative politics is, of course, the crisis: 'the only element that is consistently found to spur reforms is crises: they amplify the sense of urgency and/or boost the costs of non-reform' (Larch, Van den Noord and Jonung 2010: 26). This story continues in the Blueprint, 'the introduction of the reverse qualified majority rule significantly strengthens the Commission's hand in decisions relating to sanctions on euro area Member States' (European Commission 2012: 5).

Speed and efficacy are key concepts in this discourse of justifying the removal of decisions from spaces of representative politics. The Blueprint praises the actions of the European Parliament which prioritised 'bringing the legislative proposals quickly into force', and the Council's decision to delegate the formation of its position to the Task Force, which 'enabled a swift emergence of consensus among member states in support of the proposals by the Commission' (European Commission 2012: 4). Speed and efficacy are often valorised in the pursuit of technocratic or expert led governance (Radaelli 1999; Fischer 1990), and their dominance can serve to exclude other values such as sustainability and equality, meaning they can play a role in building a masculinist technology of governance (Wöhl 2016; Bruff and Wöhl 2016).

The analysis of these key documents chosen from across the timeline of the reform of EU economic governance indicates a consistent and coherent view on the trade-off between efficiency and democracy. They demonstrate the rhetoric that enabled the emergence of the expertise regime in EU economic governance and indicate why this regime has led to such depoliticisation of economic governance. By limiting the input of national parliaments and the European Parliament in the economic governance system (Maatsch 2016; Guerrina 2017; Fasone 2014), the new regime closes off potential input from the spaces which, historically, have been the most likely to raise concerns of gender inequality (Woodward 2004; Lombardo and Meier 2006; Kantola 2010). The framing of the crisis as both one of a lack of expertise, and one of politics more broadly, has created a regime of policies without politics. This raises the question of who is being spoken to by the new regime, if not the voting or political public. And so, the analysis of this framing highlights the connections between expertise and output legitimacy that have been the focus of this paper.

## CONCLUSION

> It is commonplace today to say that we live in the age of expertise. Expert knowledge is indeed one of the most distinctive features of modern society: it is tightly woven into the very fabric of our existence. (Fischer 1990: 13)

Expertise is not, in itself, harmful. It is also not intrinsically anti-democratic. Expertise can inform democratic deliberation and guide decisions, in particular in technical areas. What I have argued in this paper is that there is a specific type of expertise dominant in the EU's economic governance system, and that this understanding of expertise is being deployed to legitimise the economic governance reforms that were initiated as a reaction to the euro crisis. This paper has explored Scharpf's (2016: 28) claim that 'in short, the present euro regime can only be maintained through a depoliticized technocratic regime on the European level'.

I have additionally discussed the gendered nature of depoliticisation by looking at who the experts are in EU economic governance, highlighting the overwhelming male dominance of the key decision-making spaces, and of the expert groups that informed economic governance reforms. I have shown how this expertise is normalised, and how it resulted from the framing of the economic crisis as a crisis of expertise, and a crisis of politics. Finally, I discussed how the particularly gendered idea of expertise, through its compatibility and congruence with wider ideas of economic expertise and depoliticised economic policymaking, has served to legitimise EU economic governance since 2008. This is particularly important since there has been a growing consensus that EU economic governance lacks democratic input legitimacy (Kreuder-Sonnen 2016; Gearty 2015).

In a context where the crisis era reforms to the EU's economic governance system have become increasingly normalised (Cavaghan and O'Dwyer 2018), and as this system is being broadened out to incorporate social policy (Dawson 2018), it is essential that our understanding of the ideas of expertise that are underpinning and legitimising this regime incorporate an analysis of gender, such as that outlined in this paper. Moreover, this analysis which, helps us to understand the connections between authority and gender, race, and other identities seems to be a crucial step in interpreting and analysing our contemporary politics (O'Dwyer 2018b).

## ACKNOWLEDGEMENTS

I'd like to thank the editors of the special issue, along with the participants in the issue workshop at the University of Luxembourg in 2018, for their helpful comments and insight. The paper also benefitted significantly from the comments of the anonymous reviewers. All errors remain my own.

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## ENDNOTES

[1] The Commission's European Economy paper series are not explicit representations of Commission positions, but rather they set the background for policy debates and discussions (http://ec.europa.eu/economy_finance/publications/archive_en.htm).

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Journal of Contemporary European Research

Volume 15, Issue 2 (2019)

Research Article

# Macroeconomic Conditionalities: Using the Controversial Link between EU Cohesion Policy and Economic Governance

**Martin Sacher**

***Citation***

Sacher, M. (2019). 'Macroeconomic Conditionalities: Using the Controversial Link between EU Cohesion Policy and Economic Governance', *Journal of Contemporary European Research* 15(2): 179-193. https://doi.org/ 10.30950/jcer.v15i2.1005

First published at: www.jcer.net

# Abstract

The reform of EU economic governance since the outbreak of the euro area crisis has not stopped at the borders of Economic and Monetary Union. With the introduction of macroeconomic conditionalities in all European Structural and Investment Funds (ESIF), EU cohesion policy is now closely linked to the Stability and Growth Pact. The European Commission is expected to propose the suspension of ESIF funding in case of non-compliance with the Excessive Deficit Procedure. This article focuses on Portugal and Spain, which were nearly sanctioned under the macroeconomic conditionalities in 2016. It will address the question of why the application of this sanctioning procedure was softened compared to the hardness of its legal provisions. Drawing on the 'usage of Europe' approach and on the concepts of hard and soft law, this article argues that the usage actors make of a procedure has an influence on its legal character at the enforcement stage. This article finds that the hard law character of the procedure was softened by the European Commission's flexible application of the provisions and by the European Parliament's strategic usage of the rules.

# Keywords

EU cohesion policy; EU economic governance; Hard and soft law; Macroeconomic conditionalities; Stability and Growth Pact (SGP); Usage of Europe

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Cohesion policy, as one of the EU's few redistributive policy fields, provides important financial resources to EU member states for investment in line with the EU's economic priorities. The institutional setting of EU economic governance has been subject to significant change since the outbreak of the euro area crisis that has not only reinforced the rules of fiscal and macroeconomic surveillance, coordination and enforcement, but has also linked the European Structural and Investment Funds[1] (ESIF) to the rules and objectives of fiscal and economic policy coordination. In the 2014-2020 funding period, several mechanisms are in place to link 'the effectiveness of ESI Funds to sound economic governance' (European Union 2013). The economic rationale behind the introduction of macroeconomic conditionalities was the supposed necessity of a sound fiscal framework for investment to be effective (European Commission 2011). The European Commission has been given considerable enforcement power in imposing this link between cohesion policy and economic governance. It can now request revisions to member states' Partnership Agreements when it is deemed necessary for supporting the implementation of a relevant Country-Specific Recommendation issued under the European Semester. More strikingly, the Commission has to propose to the Council the suspension of ESIF commitments or payments if a member state does not take effective action to correct its excessive deficit under the corrective arm of the Stability and Growth Pact (SGP) (European Union 2013). While macroeconomic conditionalities already existed for the Cohesion Fund, conditionality is now extended to all ESIF (Viță 2017). The extension of macroeconomic conditionalities was debated in the context of the negotiations of the 2014-2020 Multiannual Financial Framework, at the height of the euro area crisis. It has been subject to significant opposition, especially from the European Parliament (European Parliament 2013). The economic rationale of sanctioning non-compliance with fiscal rules through the suspension of investment resources has been criticised on the grounds of its potentially counterproductive impact on the goal of cohesion, its de facto punishment of regions for the action of central governments (see Begg, Macchiarelli, Bachtler, Mendez, et al. 2014) and its potential pro-cyclical impact (see Huguenot-Noël, Hunter and Zuleeg 2017).

The application of the extended macroeconomic conditionalities was triggered for the first time in 2016. The Spanish and Portuguese governments, which were both under the corrective arm of the SGP (the Excessive Deficit Procedure (EDP)) since 2009, had failed to take corrective action to address their excessive deficits. The Council Decisions of 12 July 2016 that established this failure triggered the sanctioning procedure under the macroeconomic conditionalities, as well as a sanctioning procedure based on SGP legislation according to which the Commission is supposed to propose to the Council the imposition of a fine. This latter proposal can be circumvented if justified by exceptional economic circumstances (European Union 2011). The suspension of ESIF commitments or payments can, however, only be lifted if the EDP is held in abeyance or if the Council abrogates the decision on the existence of an excessive deficit. Exceptional economic circumstances cannot serve as a justification for avoiding a suspension proposal.

The Commission did not propose a fine for the two countries' non-compliance under SGP rules, taking into account their reasoned requests and exceptional economic circumstances (European Commission 2016a). Meanwhile, the proposal for a suspension of ESIF commitments was postponed until after a structured dialogue with the European Parliament had been held and the two countries had submitted their Draft Budgetary Plans (DBP) under the European Semester. Despite its mandatory character, the proposal for a suspension was not finally issued. The Commission took the decision to hold the EDP in abeyance after its assessment of the member states' reform plans, and the proposal for a suspension therefore became obsolete (European Commission 2016b). Given the Commission's legal obligation to propose a suspension, the application of the procedure seems to have been softened compared to the letter of its legal basis.

While a sanctioning procedure under Economic and Monetary Union (EMU) that did not lead to the imposition of sanctions is not exceptional in its outcome, the sanctioning procedure under the macroeconomic conditionalities is exceptional in its mandatory and quasi-automatic character. Therefore, it relates to the debate on the power of supranational actors under the institutional setting of post-crisis EMU. The academic debate on the impact of EU economic governance reforms upon the power relations between national and supranational actors points to increased surveillance and enforcement powers in the hands of the European Commission (Dehousse 2016, Chang 2013; Bauer and Becker 2014), with the Commission having greater margin of manoeuvre on rule interpretation and application (Schmidt 2016), but depending on the case applying the rules either in a flexible or in a rigid manner (Vanheuverzwijn 2017). The debate on the changing institutional setting and the potential enforcement of rules in economic governance has also been approached from a legal angle, pointing to an increased hardening of soft law governance procedures (Terpan 2015; Saurugger and Terpan 2016a; Hodson 2018). While this legal approach allows for a precise characterisation of the institutional setting, the legal character of governance procedures does not allow for any predictions as to how the actors apply the provisions in practice (Hodson 2018).

As argued by Vanheuverzwijn (2017), an analysis of power relations in the area of EU economic governance should go beyond formal competences and include the use and reinterpretation of incomplete rules. In a similar way, this article argues that when engaging in the debate on rule enforcement in EMU, and while avoiding to take preferences as given, it is crucial to take into account the use actors make of the reformed institutional setting. This allows us to understand the consequences of reform for the relation between actors. When it comes to the question of sanctions under EMU, some scholars link the enforcement of sanctions with the overall success of the surveillance tool (Gros and Alcidi 2015). However, others argue that the flexible application of the rules can be taken as a sign of the Commission's discretionary power rather than as a weakness (Seikel 2016) and that the application of this flexibility is an indicator of the Commission's gain in power (Dehousse 2016). It is therefore difficult to draw conclusions as to the role of political actors and power relations from the provisions the actors have at their disposal, without analysing which preferences they pursue and in which way they use the provisions available to them.

This article therefore aims to answer the following question: Why was the application of the sanctioning procedure under the macroeconomic conditionalities with regard to Spain and Portugal softened compared to the hardness of its legal provisions? The analysis draws on aspects of the 'usage of Europe' approach in combination with the concepts of hard and soft law in order to show the consequences of strategic action for the application of the procedure and the enforcement of the rules. It is argued that the action of the European Commission with regard to Spain and Portugal reflected an internal tension between the use of the shadow of hierarchy and the preference for a soft enforcement. At the same time, the European Parliament opposed the suspension of ESIF commitments and strategically used the rules of the sanctioning procedure to soften its application.

## THEORETICAL APPROACH AND METHODOLOGY

### *The 'usage of Europe' approach*

In order to better understand the strategic action political actors engage in within the institutional setting of the sanctioning procedure under the macroeconomic conditionalities, this article draws on aspects of the 'usage of Europe' approach. This approach aims to bridge the gap between sociology and rational choice theory by studying 'the social construction of rational or strategic behavior' (Woll and Jacquot 2010: 111). Based on this approach, this article assumes that actors' preferences are not a given, but socially constructed. Hence, this article aims to demonstrate how the social construction of preferences and the usage of resources matter for macroeconomic conditionalities as a governance procedure. In this context, a rational choice approach, such as Principal-Agent theory that takes preferences as a given (see Pollack 2003) would not be appropriate for the purpose of this article. Additionally, sociological institutionalism, while enabling the analysis of the social construction of preferences (see Saurugger 2014), would not allow for a full understanding of the strategic usage of resources.

Usages are understood as 'practices and political interactions which adjust and redefine themselves by seizing the European Union as a set of opportunities, be they institutional, ideological, political or organisational' (Jacquot and Woll 2003: 4). The approach puts individual actors at the centre of analysis. It assumes that the institutional context is subject to interpretation by the actors and can be transformed by their actions. As stated above, while actors are seen as rational and strategic, their preferences are socially constructed (Woll and Jacquot 2010).

The three ideal types of usages are cognitive, strategic and legitimating usage. Cognitive usage occurs when usage is related to interpretation and understanding of political subjects. Ideas can accordingly be used as a mechanism to persuade other actors. The second type of usage is strategic usage that actors apply when trying to influence decisions or their room for manoeuvre while pursuing clearly defined goals. The third type of usage is legitimating usage that can be applied to justify political decisions. Unlike in actor-centred constructivism, the 'usage of Europe' approach does not focus on the strategic use of ideas only, but includes the usage of material elements such as institutions and budgetary and legal resources (see Woll and Jacquot 2010).

The 'usage of Europe' approach has been applied recently in the area of EU economic governance by a number of scholars. Using this approach, Eihmanis (2018) shows how the Latvian government instrumentalised EU recommendations in order to achieve its own policy targets. Moreover, Zeitlin and Vanhercke (2018) draw on both the 'usage of Europe' approach and on actor-centred constructivism to demonstrate how social and employment actors have progressively socialised the European Semester.

The 'usage of Europe' approach stems from the Europeanisation literature that tries to explain the influence of European integration on national political systems (Jacquot and Woll 2003). The approach is part of a sociological turn within this research agenda that criticises the former dominant claim that change at the national level can best be explained by the degree of difference between EU policy proposals and existing national traditions. Rejecting this misfit model, it is argued that policy actors are more than mere mediating factors acting under institutional constraints. Even where no adaptive pressures prevail, the EU can provide material and cognitive resources that can be used strategically by national actors (Woll and Jacquot 2010). The approach has above all been used to understand how national level actors make strategic use of opportunities at the EU level to pursue domestic objectives. However, the approach also provides analytical value for the analysis of EU-level processes and can go beyond the focus on domestic considerations by explaining, for example, 'how actors situated at the intersection between national and supranational policy-making […] may strategically exploit the ambiguities of European concepts, rules and procedures' (Zeitlin and Vanhercke 2018: 154). Usages of material and ideational resources can serve the interests of both national and supranational actors and, if applied, will similarly shape EU-level procedures as they can shape domestic practices. This approach therefore allows us to analyse how EU-level actors use the institutional setting in order to articulate and strategically pursue their interests. While studying the actors' usages, it will further be possible to shed light on their preferences.

### *Soft and hard law as a measure of potential enforcement*

In this analysis, it is assumed that 'all policy processes leave open some room for manoeuver and thus [require] the mediation of actors' and that 'it is not their a priori "degree of coercion" that matters, but the usages that are made of them, their concrete implementation and the meaning that actors attach to them' (Woll and Jacquot 2010: 118). The 'usage of Europe' approach therefore seems particularly adept to analyse how the legal coercion created through the macroeconomic conditionalities is applied in the case of Spain and Portugal. In order to analyse the consequences of the usages made by the actors, and therefore the actual coerciveness of the procedure, this article further draws on the concepts of hard and soft law. Terpan (2015), based on the concept of legalisation put forward by Abbott, Keohane, Moravcsik, Slaughter et al. (2000), distinguishes between hard and soft law according to two criteria: obligation and the enforcement of the obligation. The level of obligation is determined by the hardness or softness of the source and the content, assuming that imprecise rules lead to weaker obligations than detailed rules that offer less room for interpretation. With regard to enforcement, Terpan (2015) distinguishes between hard enforcement, soft enforcement and the absence of enforcement mechanisms. While hard enforcement is characterised by judicial control or very constraining non-judicial control that can take the form of a binding decision of a supranational institution, soft enforcement is characterised by procedures aiming at compliance that do not necessarily rely on coercion or constraint. Taken together, a norm that relies on hard obligation and hard enforcement can be characterised as hard law, while soft law can be characterised by different combinations of hard and soft obligation as well as hard and soft enforcement.

In the literature on EU fiscal and economic policy coordination, the hard and soft law approach has been used in order to identify the changing nature of coordination procedures (Terpan 2015), to define European integration and identify the increase thereof (Hodson 2018), and to analyse the political and economic role of soft and hard law components in the functioning of the SGP (Schelkle 2007; Hodson and Maher 2004). Additionally, this approach has served as a dependent variable in understanding the direction of policy change during crises (Saurugger and Terpan 2016a) and as an independent variable in analysing member state non-compliance with EU norms (Saurugger and Terpan 2016b). Hodson (2018) considers that the concept of legalisation can also be used to analyse the effects of institutions at the implementation stage, in addition to the level of legalisation at the design stage. In line with this observation, this article argues that the hardness or softness of a procedure in terms of obligation and enforcement can also be used in order to analyse the actual application of a norm. It is further assumed that hard and soft law components of a procedure can be strategically supported or circumvented, thereby altering the character of the procedure either in the direction of hard or of soft law enforcement. In the present case, the threat of sanctions would represent the strategic support of a hard law component. This use of the shadow of hierarchy, or the threat of intervention by a hierarchical authority (Héritier and Lehmkuhl 2011), might induce member state compliance (Schelkle 2007; De la Porte and Heins 2016). On the contrary, it might be the preference of an actor to use procedural flexibility that allows for a softer enforcement. In this article, it is therefore assumed that provisions that allow for hard law enforcement might be in place. However, the application and the degree of coercion depends on the preferences of the actors and how they make use of the provisions.

In sum, this article draws on the 'usage of Europe' approach in order to show how actors shape the application of the procedure in terms of its hardness or softness. In the first section of the analysis, the macroeconomic conditionalities will be located on the soft-hard law boundary. This allows us to compare the application of the provisions with their potential application in terms of a harder or softer rule enforcement. The analysis starts with the enforcement preferences and subsequent actions of the European Commission and then focuses on the actions of the European Parliament. As the Council was formally not involved in the procedure, the analysis focuses on the Commission and the Parliament. As suggested by Saurugger (2016), process-tracing seems particularly adept for actor-centred sociological approaches and is therefore applied in this article. The analysis draws on legislation, official documents, press releases, video sources and press coverage. Additionally, for reasons of triangulation and in order to gain supplementary information on opinions, preferences and procedural steps, six semi-structured interviews were conducted. Two interviews were with Commission officials both at the DG and the Cabinet level, three with member state officials in Brussels and one with a Member of the European Parliament (MEP). Interviewees were identified via official websites, email and telephone enquiries as well as via referencing through interview partners.

## PORTUGAL AND SPAIN UNDER THE THREAT OF ESIF SUSPENSION

### *The location of macroeconomic conditionalities on the soft-hard law boundary*

In order to analyse the influence actors' usages have on the application and therefore the enforcement character of the sanctioning procedure under the macroeconomic conditionalities, the procedure and its mechanisms first have to be situated on the boundary between soft and hard law. As depicted above, the two components of legal norms that have to be distinguished are obligation and enforcement (Terpan 2015). The macroeconomic conditionalities link access to ESIF to performance under the SGP; if a member state is found not to have taken corrective action under the EDP, the conditionalities apply. Therefore, the source and the content of the obligation emanate from the SGP. Both point to rather hard obligation, which is nevertheless softened by exceptions regarding deficit and debt limits (Terpan 2015).

With regard to the enforcement of the conditionalities, the SGP and the EDP no longer apply, but the rules exclusively emanate from the Common Provisions Regulation (CPR) that lays down the macroeconomic conditionalities in its Article 23. Enforcement of the procedure can be described as hard. As written in the CPR, the Commission 'shall' propose to the Council the suspension of 'part or all of the commitments or payments for the programmes of a Member State' if the Council decides 'that a Member State has not taken effective action to correct its excessive deficit' (European Union 2013). Therefore, there is a very clear obligation for the Commission to propose the suspension to the Council, which can only oppose the imposition of the suspension by reverse qualified majority voting. Unlike for the fine under SGP legislation, there is no possibility to cancel the suspension of ESIF commitments if justified by 'exceptional economic circumstances or following a reasoned request by the Member State concerned' (European Union 2011). The only circumstances foreseen by the CPR, under which the suspension can be lifted, are if the EDP is held in abeyance or if the Council decides to abrogate the decision establishing the existence of an excessive deficit.

While the Commission is obliged to propose the suspension, it enjoys flexibility and discretion as to the nature of the suspension and its amount. According to the CPR, a suspension should cover commitments. Payments can, however, also be suspended if there is significant non-compliance. Regarding the amount of a suspension, the Commission enjoys flexibility and discretion, as the 'scope and level of the suspension of commitments […] shall be proportionate, respect the equality of treatment between Member States and take into account the economic and social circumstances of the Member States concerned' (European Union 2013: 351). Furthermore, the moment at which the suspension has to be proposed is not defined by the CPR.

The flexibility in the application of the sanctioning procedure also has an inter-institutional character. The CPR lays down the possibility for the European Parliament to 'invite the Commission for a structured dialogue' that in particular allows for the transmission of information on 'ESI Funds and programmes which could be subject to a suspension of commitments or payments' (European Union 2013: 352). When proposing the suspension, the Commission 'shall give due consideration to any elements arising from and opinions expressed through the structured dialogue' (European Union 2013: 350) with the European Parliament. As shown below, these provisions give, as shown below, some scope for interpretation to both the European Commission and the European Parliament.

Taken together, the procedure can be characterised by both a rather hard obligation and a rather hard enforcement component. There is, nevertheless, margin of manoeuvre that leaves room for interpretation and strategic action for both the Commission and the Parliament. This especially applies to the enforcement component that this analysis focuses upon. The provisions of the procedure therefore allow the actors to support either a hard or a soft application, and thereby, in the latter case, to soften the enforcement of the procedure. In the following section, the preferences and actions of the European Commission are analysed. Subsequently, the analysis focuses on the role of the European Parliament.

### *The European Commission between the use of hard law provisions and the softening of the application*

At the beginning of the sanctioning procedure under the macroeconomic conditionalities, the Commission insisted on its mandatory character. This can be seen by the wording the European Commission used: 'The Council decision also legally obliges the Commission to propose a suspension of part of the commitments of EU Structural and Investment Funds for 2017' (European Commission 2016c). At that moment, the Commission did not indicate when it would issue the proposal to suspend funds. However, it initiated the structured dialogue with the European Parliament, that is foreseen by the CPR (European Commission 2016c). The first hearing under this dialogue took place on 3 October 2016. For the Commission, both the Vice-President for Jobs, Growth, Investment and Competitiveness, Jyrki Katainen and the Commissioner for Regional Policy, Corina Crețu responded to questions from members of the European Parliament's Committees on Regional Development (REGI) and on Economic and Monetary Affairs (ECON), which came together in a joint session. Both Commissioners insisted during the hearing that the European Commission would be obliged to issue the suspension proposal and stated that the suspension would be lifted once Spain and Portugal comply with their fiscal obligations (European Parliament 2016a). This presentation of the procedure and the emphasis on the countries' obligation to address their excessive deficits can be characterised as a strategic usage of the potential suspension with the aim of enhancing or maintaining the reform pressure on the two member states. In terms of the soft-hard law divide, it clearly indicates the support of the hard law enforcement of the procedure that would translate into an effective shadow of hierarchy under which the member states would deliver on their obligations under the fiscal rules.

Nevertheless, despite the Commission's official stance that suggests an objective and technical application of the rules in accordance with its role as guardian of the treaties, the application of the procedure was not without controversy among Commissioners and Commission officials. According to one Commission official, 'Both Vice-Presidents Dombrovskis and Katainen were strongly in favour of the idea of suspending the commitment. Mainly as a matter of principle for the credibility of the whole macroeconomic conditionality mechanism'.[2] Commissioner Crețu had more reservations regarding the suspension because 'of all the explanations that were provided by Spain and Portugal, they were actually finishing their reforms or doing a big effort socially and economically speaking'.[3] In the European Parliament, the Commissioner accordingly described the obligation of proposing the suspension as 'not comfortable' (European Parliament 2016a). She stated that she was convinced that the two member states would present 'important steps forward toward the SGP' in their DBPs and announced that the mitigating factors that could be used to propose a lower amount of commitments to be suspended, would be taken into account (European Parliament 2016a). Similarly, evidence suggests that the Commissioner for Economic and Monetary Affairs, Pierre Moscovici was against the ultimate suspension of the commitments, but in favour of having the macroeconomic conditionalities as a safeguard instrument.[4] A suspension of investment funds may further have been perceived as unfavourable for the achievement of the Commission's economic policy and investment objectives as stipulated in the Europe 2020 Strategy and the 2016 Annual Growth Survey.

There is evidence that the attitude towards strict sanctioning within the Commission services changed after the introduction of macroeconomic conditionalities in 2013. According to one interviewed Commission official, the initial rationale that saw the suspension of funds as a safety mechanism for guaranteeing the efficiency of ESIF spending, was not considered at the time of the application of the procedure.[5] Even before the application of this provision with regard to Spain and Portugal, the general attitude within the Commission was less favourable towards harsh sanctioning.[6] This corresponds to the flexible approach on fiscal policy coordination that the Juncker Commission publicly communicated (European Commission 2015). Accordingly, there was a tension within the Commission services between the obligation to propose the suspension and the political preference not to do so. This reluctance can also be explained by rising Euroscepticism and the fear that the suspension of ESIF commitments would feed opposition to the EU.[7] The automatism of the procedure was seen as a political burden. Given that Portugal and Spain had just undertaken major restructuring efforts, the moment for suspending funds was not perceived as adequate.[8] The obligation to propose the suspension was, nevertheless, strongly felt by the Commission services and they accordingly prepared the suspension proposal. This further suggests that the Commission services, as with Katainen and Dombrovskis, were concerned with saving the credibility of the procedure for potential future applications. At the same time, there was an agreement that the flexibility the procedure offered should be used.[9]

Despite the rather negative attitude of the Commission services and relevant Commissioners towards the suspension of ESIF commitments, action under the procedure was informed by an understanding that the threat of sanctions could be used to incentivise member states to comply with their obligations under the EDP.[10] Both the Portuguese and Spanish governments were indeed asked to deliver upon their obligations. This can be illustrated by the Commission's request for updated DBPs from the two governments after their initial submission in October 2016. In the case of Spain, the Commission was of the opinion that the proposed fiscal measures were not sufficient (European Commission 2016d), and in the case of Portugal, the Commission asked for supplementary information on how compliance would be ensured (European Commission 2016e).

This also means that despite the flexible application of the procedure in terms of lowering the amount of commitments to be suspended, which tended towards softening the level of ultimate sanctioning, the harder shadow of hierarchy was strategically used to bring about policy change. As argued above, the Commission most likely sought to save the credibility of the procedure, as during its failed attempt in 2003 to move to the EDP's next step in the case of Germany and France, which had preceded the first reform of the SGP in 2005 (Heipertz and Verdun 2010). Similarly, in a 2012 application of macroeconomic conditionalities in their pre-2014 form, the Commission actually proposed the suspension of Cohesion Fund commitments for Hungary, which the Council lifted shortly after having adopted it (Council of the European Union 2012). According to the evidence presented, it is highly likely that the Commission also would have proposed the suspension in the case of Spain and Portugal in order to save the credibility of the procedure. However, this was prevented by the strategic action of MEPs, as will be shown in the next section.

Given that the Commission did not propose the suspension to the Council, member state representatives were formally not involved in the procedure.[11] Indeed, interview partners did not provide any evidence of an active or influential informal role of Council members. However, unlike in other governance procedures under EMU, the European Parliament played an important role during the application of the procedure via the structured dialogue.[12] The next section therefore focuses on the role and actions of the European Parliament during the structured dialogue it held with the European Commission.

### *The European Parliament: enhancing its role and softening enforcement*

The European Parliament, which acted as co-legislator for the CPR, actively opposed the expansion of macroeconomic conditionalities (European Parliament 2013). The conditionalities in their current form are the result of a compromise among political groups and with the Council. Accordingly, the CPR foresees mitigating factors for the determination of the level of suspensions as well as the involvement of the European Parliament in the application of the conditionalities in the form of a structured dialogue.[13] The structured dialogue, according to the CPR, mainly aims at informing the Parliament on which programmes could be suspended. The Commission is further not obliged to take into account the opinion of the Parliament (European Union 2013). Despite this rather narrow role for the European Parliament according to the Regulation, its involvement and impact has been significantly reinforced both by Commission action and the strategic usage that MEPs made of the provisions.

Early in the procedure, Commission Vice-President Katainen proposed to cooperate with the Parliament over the question of which parts of the funds should be suspended (Handelsblatt 2016). Already at the beginning of the procedure, the Commission stated that it had 'invited the European Parliament to hold a structured dialogue before presenting a proposal' (European Commission 2016c). The Commission therefore actively promoted the involvement of the Parliament in the procedure beyond the wording of the Regulation.

The European Parliament, in the context of the structured dialogue, had invited Vice-President Katainen and Commissioner Crețu for a hearing in a joint REGI and ECON committee meeting, which took place on 3 October 2016. A majority of MEPs spoke against the suspension of the funds, which reflected the strong opposition of the Parliament that was already present during the introduction of the conditionalities. Despite the Commission's announcement that only commitments and not payments would be suspended (European Parliament 2016a), MEPs who were against the suspension took a hard stance. In particular, they made use of cognitive references based on the idea that the suspension of the commitments would have a negative economic impact on citizens and regions (European Parliament 2016b). Despite a majority of MEPs arguing against the suspension of funds, liberals, eurosceptics and some members of the European People's Party from northern European countries were in favour of the suspension of funding (Valero 2016).

Beyond the use of cognitive references that suggest that the suspension of ESIF commitments might lead to the opposite result of what the conditionalities were aiming for, that is a stable fiscal situation, the European Parliament also engaged in strategic usage of the provisions of the procedure. After the first hearing with representatives of the Commission, the European Parliament's Conference of Presidents decided to gather more information before the closure of the structured dialogue. Therefore, the Parliament invited the Portuguese Finance Minister Mário Centeno and the Spanish Economy Minister Luis de Guindos for a second hearing at the Parliament (European Parliament 2016c). The European Parliament therefore used the setting of the structured dialogue in order to extend its visibility beyond a dialogue between the Commission and the Parliament, as foreseen by the CPR, and created a direct link with the member state governments concerned. Consequently, both ministers benefited from the extended involvement of the Parliament in the procedure. They argued in a similar way as those MEPs who were against the suspension by referring to the potential negative consequences of this measure, and stated their willingness to commit to reforms in order to avoid the suspension of funds (European Parliament 2016c).

The organisation of a second hearing improved the visibility of the European Parliament in the procedure and provided a forum for the Spanish and Portuguese ministers to present their vision on the suspension of ESIF commitments. However, this second hearing also reflects the strategy of the Parliament to prolong the structured dialogue in order to prevent the suspension. As there was no 'legally binding deadline for the Commission to propose the suspension' (European Commission 2016c), the Commission enjoyed flexibility in this regard and decided to wait until the end of the structured dialogue with the Parliament before making a proposal.[14] At the same time, the Commission was under time constraints, as the suspension would have had to be included in the 2017 annual budget to become effective. It therefore asked the Parliament to speed up the procedure.[15] The strategy of the MEPs was, however, to extend the structured dialogue formally in order to give more time to the Spanish and Portuguese governments to comply with their obligations under the EDP and thereby to prevent the Commission from proposing the suspension.[16] This means that the European Parliament engaged in strategic action that aimed at preventing the hard shadow of hierarchy in the form of the suspension from taking effect and therefore at moving the procedure towards soft enforcement.

The Parliament had introduced the structured dialogue during the negotiation of the CPR. The overall negative opinion of the Parliament regarding macroeconomic conditionalities had not changed since then. It could therefore use the dialogue according to the purpose of its creation, namely to prevent an automatic imposition of sanctions. It did so by using cognitive references against the suspension, giving the Spanish and Portuguese governments a stage to present their willingness to comply with their obligations under the SGP, and by strategically using time as a resource.

The Spanish government committed, upon the Commission's request, to revise its fiscal target in order to comply with the recommendations under the EDP (Spanish Government 2016). The Portuguese government, after a Commission request, delivered supplementary information on its DBP (Portuguese Government 2016). In line with the strategy of the European Parliament to give more time to Spain and Portugal to present new figures, both countries were found to be in compliance with the EDP (European Commission 2016f) before the structured dialogue was finished.[17] The EDP was held in abeyance, and therefore the obligation to propose the suspension was, according to the Commission, no longer present (European Commission 2016b).

## CONCLUSION

This article aimed to explain why the application of macroeconomic conditionalities with regard to Portugal and Spain was softened despite the hard law character of the corresponding legal provisions. The analysis has shown that the Commission's role during the application can be characterised by a tension between the obligation to propose the suspension of ESIF commitments and the prevailing internal opinion that a suspension would not be appropriate in light of the economic situation in the countries concerned. This tension is reflected in the Commission's use of the threat of sanctions as an instrument to push Spain and Portugal to comply with their obligations under the EDP, while nevertheless opting for a soft and flexible approach concerning the amount of commitments to be suspended. MEPs engaged in strategic action that aimed to prevent the hard shadow of hierarchy in the form of the suspension from taking effect and thereby moved the procedure in the direction of soft enforcement. They did so by using the idea that the suspension of the funds would have a negative economic impact and by strategically using the resource of time. By prolonging the structured dialogue, the European Parliament gave more time for Portugal and Spain to present new figures. Ultimately, both countries were found to be in compliance with their fiscal obligations before the Commission could propose a suspension.

In conclusion, it can be shown that the mandatory and thus hard law character of the procedure was softened by the European Commission's flexible application of the provisions and by the European Parliament's strategic usage of the procedure. The application of macroeconomic conditionalities with regard to Portugal and Spain is therefore a good example of how strategic usage can shape the application of procedures in terms of their hardness or softness.

The experience with Portugal and Spain is likely to have long-term implications. The dilemma in which the Commission was caught is reflected in its reform proposal for the relevant provisions post-2020. If the proposed changes are adopted, they would create more leeway for the Commission by allowing the cancellation of an ESIF suspension based on exceptional economic circumstances or a reasoned request by the member state concerned (European Commission 2018). In line with its critical stance on macroeconomic conditionalities, the European Parliament, in a draft report on the Commission's proposal, does not touch upon the proposed introduction of these mitigating factors, and proposes to soften the procedure further by abolishing the possibility to suspend payments instead of commitments (European Parliament 2018). It remains, however, to be seen how member state governments will position themselves on the prospect of rendering the procedure less automatic.

The 'usage of Europe' approach offers useful tools to shed light on how EU-level actors use the sanctioning procedure under the macroeconomic conditionalities, their scope for discretion and interpretation, and on the rationale that links cohesion policy and fiscal policy coordination. The application of this theoretical framework has also shown that in order to understand the functioning of governance instruments such as the macroeconomic conditionalities, analysis should be actor-centred. It is precisely the actors' preferences and usages that play a significant role in the functioning of governance procedures. Therefore, a high level of detail can enhance our understanding of current institutional developments.

The question of whether the hard and soft law provisions had a direct influence on the actions of the Spanish and Portuguese governments is beyond the scope of this analysis and empirically difficult to prove. The short timeframe of the analysis and the single application of the procedure in its current form further limits potential findings on the long-term impact of usages on preferences and subsequent applications. Nevertheless, the approach allows for an in-depth analysis of the application at hand and of the preferences of the main actors. Other than understanding the imposition of sanctions as the only governance tool of the procedure, the threat of potential sanctions has been used by the Commission with the aim of bringing about policy change. While it may seem contradictory that the Commission strategically uses the procedure while at the same time holding the opinion that sanctions are not the best course of action, this observation actually supports the idea that sanctions are generally supposed to be used in severe situations, and are mainly an instrument to induce policy change. Therefore, the usefulness of the SGP and the role of the Commission in policy enforcement should not be assessed based on the imposition of sanctions, but by considering the strategic use of the provisions of the procedure and the variety of goals that can be pursued using the threat of sanctions. The results of this analysis are of further relevance in light of the increasing reliance on conditionalities in wider EU governance, which might even link ESIF funding to respecting rule of law. However, even strong conditionality provisions are no guarantee for strict enforcement, as the effective character of the provisions will depend on their use by European and national actors.

## ACKNOWLEDGEMENTS

The author would like to thank David Howarth, Robert Harmsen, Anna-Lena Högenauer, Sébastien Commain, Sebastian Heidebrecht, Jörg Haas, the participants of the workshop on “New Conceptual and Methodological Developments in the Study of EU Economic Governance”, held in Luxembourg in June 2018, and two anonymous reviewers for their helpful and valuable comments and suggestions. Research for this article has been supported by the Luxembourg National Research Fund (FNR).

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## ENDNOTES

[1] The ESIF include the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.
[2] Interview European Commission official 24 April 2018.
[3] Interview European Commission official 24 April 2018.
[4] Interview European Commission official 30 May 2018.
[5] Interview European Commission official 30 May 2018.
[6] Interview European Commission official 30 May 2018.
[7] Interview European Commission official 30 May 2018.
[8] Interview European Commission official 24 April 2018.
[9] Interview European Commission official 30 May 2018.
[10] Interview European Commission official 30 May 2018.
[11] Interview National Government official 30 May 2018.
[12] Interview Portuguese Government official in Brussels 23 April 2018.
[13] Interview Lambert van Nistelrooij (MEP) 21 June 2018.
[14] Interview European Commission official 30 May 2018.
[15] Interview European Commission official 30 May 2018.
[16] Interview Lambert van Nistelrooij (MEP) 21 June 2018.
[17] Interview European Commission official 30 May 2018.

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Journal of Contemporary European Research

Volume 15, Issue 2 (2019)

Research Article

# Measuring Economic Reform Recommendations under the European Semester: 'One Size Fits All' or Tailoring to Member States?

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***Citation***

D'Erman, V., Haas, J., Schulz, D. F. and Verdun A. (2019). 'Measuring Economic Reform Recommendations under the European Semester: 'One Size Fits All' or Tailoring to Member States? *Journal of Contemporary European Research* 15(2): 194-211.
https://doi.org/10.30950/jcer.v15i2.999

First published at: www.jcer.net

# Abstract

In 2010 the European Semester was created to improve coordination of fiscal and economic policies within Europe's Economic and Monetary Union. The Semester aims to tackle economic imbalances by giving European Union (EU) member states country-specific recommendations (CSRs) regarding their public budgets as well as their wider economic and social policies with a view to enabling better policy coordination among Euro Area member states. In this article, we develop a method to assess the way in which the CSRs have been addressing coordination and offer a systematic analysis of the way they have been formulated. We offer a way to code CSRs as well as one to analyse progress evaluations. Furthermore, we seek to use our results to address one of the reoccurring questions in the literature: whether the EU is pursuing a 'one size fits all' approach to economic policy making in the Euro Area? The findings indicate that recommendations for different types of market economies among the Euro Area members tend to focus on different policy areas.



# Keywords

Economic governance; European Semester; Policy area; Varieties of capitalism


The Euro Area financial crisis unveiled dramatically the incompleteness of governance mechanisms in Europe's Economic and Monetary Union (EMU) (Ioannou, Leblond and Niemann 2017). Although EMU witnessed strong growth in some member states during the first ten years of its existence, governments lacked incentives to correct macroeconomic imbalances when they occurred and compliance with fiscal rules remained weak (Heipertz and Verdun 2010). The European Union (EU) reacted to the crisis by reforming its economic governance framework. Seeing that there was no support for major treaty change (which would be needed for some reforms, such as to create a Euro Area Treasury), it opted instead for a system of macroeconomic policy coordination that became known as the European Semester (or 'Semester' for short).

In the words of the European Commission (2017: 24), the Semester is 'the core vehicle' to achieve better policy coordination in the EU. It is a mode of governance that offers a timetable for proposing, discussing and implementing economic and fiscal policy reforms over the course of a year. The goal is that EU member states (and especially members of the Euro Area) align their budgetary and economic policies with commonly agreed objectives. Based on the national economic performance and on policy output, the EU annually issues Country-Specific Recommendations (CSRs), which cover a wide range of policy fields, including fiscal governance, financial markets, employment, competition, public administration and social policy.

As these changes in governance give the EU institutions a larger role in policy coordination than before, we seek to examine what kind of reforms the EU promotes. To do so we offer a comprehensive overview of the CSRs issued to Euro Area members between 2012 and 2018. Our analysis here focuses on Euro Area members only rather than the wider EU because the Semester is a key tool developed in response to perceived insufficient economic convergence being an important underlying cause of the Euro Area financial crisis. The research question is: when and why do member states receive recommendations focused on different thematic areas? We interpret 'thematic areas' as overarching policy topics. We describe how the thematic focus of CSRs has developed over time and explore whether differences in reform recommendations map onto differences in Euro Area countries' economic models. From a methodological point of view, one major challenge is to assess the content of the hundreds of CSRs issued during the time period. We discuss how the enormous wealth of text provided by the Semester can be translated into a dataset that provides detailed information about recommendations and their policy areas. The findings from our analysis indicate that while the content of CSRs varies according to member state and as such does not support the idea of EU economic governance attempting to impose a one size fits all mechanism, the emphasis and prioritisation of different policy areas do have some similarities when looking at countries with different 'types' of capitalism.

Our paper contributes to the specific literature on the Semester as well as to the more general literature on economic policy coordination. It provides new input to the debate whether the EU is pursuing a 'one size fits all' approach to economic policy making in the Euro Area that might be damaging to certain member states (Rodrigues and Reis 2012; Regan 2017). It offers some insights into the role of the Commission in policy coordination in the post Euro Area Financial Crisis period, building on previous research by scholars such as Puetter (2012), Bauer and Becker (2014), Dehousse (2016) Savage and Verdun (2016), and Fabbrini (2017) that debates whether the changes in economic governance have empowered the European Commission as a supranational institution or whether this process must be viewed as predominantly intergovernmental, leaving most of the power with member states. The paper also contributes to the literature that asks questions about the causality and temporality of public policy (Fischer and Maggetti 2017) or the usefulness of various methods when comparing outcomes of public policy with a view to increasing the validity of cross-national findings (Brans and Pattyn 2017).

The next section reviews the literature on the European Semester. The article then provides a discussion of the method used for this paper (the coding of policy areas and calculation of intercoder reliability scores). This is in light of the fact that the study reports on an analysis of a large set of textual data; we include a discussion of the challenges that such an endeavour poses. We then discuss our findings before drawing conclusions.

## WHAT IS THE EUROPEAN SEMESTER AND HOW IS IT BEING STUDIED?

The idea of creating an economic policy coordination mechanism dates back to early debates over the flexibility of (optimum) currency areas (for example Mundell 1961). The design of EMU and the various forms of domestic political resistance to centralised economic policymaking has been well documented, as has the impact of such an 'asymmetrical' EMU on both the circumstances leading up to the financial crisis and the policy responses in the aftermath (Verdun 2000; 1996; Enderlein and Verdun 2009). Research on the design of the Semester highlights the political manoeuvring between national actors, Commission entrepreneurs and European Central Bank (ECB) policymakers under conditions of existential crisis (Verdun 2017; 2015; Laffan and Schlosser 2016; Copeland and James 2014; Bauer and Becker 2014).

The European Semester provides a framework to coordinate economic and fiscal policies of the member states. It builds on the economic rules that had been in place since the start of EMU and have been further developed in EMU's first decade. These include the so-called Stability and Growth Pact (SGP) that was already developed early on but also the Macro-Economic Imbalance Procedure (MIP) introduced in 2011. These two procedures seek to ensure that fiscal policies are considered a matter of common concern and include mechanisms to reduce fiscal imbalances (such as a larger budgetary deficit) or macro-economic imbalances (such as a current account deficit). Under the SGP a system of sanctions has been developed, though this system had not been used effectively in the run-up to the crisis. Under the MIP specific monitoring procedures have been developed, such as elaborate scoreboards, and the same idea of having sanctions has been maintained, but again to date those have been rarely used (Savage and Howarth 2018).[1]

The Semester cycle begins in November and ends in October. The most prominent player in the process is the Commission that provides analysis, assessments and proposals. It starts off the process by publishing its Annual Growth Survey (AGS) that identifies for the coming year the key reform priorities for the EU as a whole. It publishes detailed Country Reports that contain key challenges and reform progress of each member state. Based on its assessment, the Commission proposes CSRs. The Council grants political confirmation by formally adopting and sometimes modifying the CSRs. The European Council provides policy orientations that are based in part on the AGS, and later on endorses the Council decision on CSRs. The European Parliament (EP) accompanies the process. It adopts resolutions and reports on the AGS and the CSRs each year and may invite the Presidents of the Commission, Council, European Council and Eurogroup to discuss the Semester through the so-called 'Economic Dialogue'. The 'national semester', which takes place during the second half of the year, is a period during which member states consider the recommendations as they implement socio-economic reforms and adopt national budgets for the next year (draft national budgets are due to the Commission by mid-October just before the cycle starts again) (see Verdun and Zeitlin 2018 for more details on the Semester process).

The bulk of scholarly work on the Semester can arguably be grouped into three general categories. A first category looks at whether the Semester serves as a source of monitoring and scrutiny (Fabbrini 2017; Horvarth 2017; Crespy and Vanheuverzwijn 2017) or convergence (Franks, Barkbu, Blavy, Oman et al. 2018; Estrada, Galí and López-Salido 2013). This includes work on reforming the Stability and Growth Pact and complementing it with the Fiscal Compact (Fabbrini 2013), on the utility of the measures involved in the 'Two-Pack' and 'Six-Pack' regulations (Verdun 2015; Savage and Verdun 2016; Roger, Otjes and van der Veer 2017; Joerges 2014; Horvath 2017), respectively, and the integrated economic and employment policy guidelines within Europe 2020 (Bekker 2018). A second category questions the political 'ownership' of the Semester via three channels, either through the participation of national parliaments and the European Parliament in the development and process of the Semester (Vanheuverzwijn and Crespy 2018; van der Veer and Haverland 2018; Maatsch 2017; Kreilinger 2016; Hallerberg, Marzinotto and Wolff 2018; 2011; Crum 2018) or through examinations of public opinion and support (Kuhn and Stoeckel 2014) and the relative power of different institutional actors (Carstensen and Schmidt 2017). Other work in this area has thus far concentrated on the role of policy entrepreneurs in the Euro Area, and some discussions on democracy, technocracy, and competing economic ideas (Verdun and Zeitlin 2018; Kuhn and Stoeckel 2014; Hallerberg, Marzinotto and Wolff 2018; 2011; Fabbrini 2017; Copeland and Daly 2018; Carstensen and Schmidt 2017). These analyses of the Semester generally characterise it as a fundamental shift in EU socio-economic governance, both in process and substance (Verdun and Zeitlin 2018). A third category examines the twin polar strategies of austerity and investment. Research on these issues concentrates on the range of tools that the EU used, be it the Annual Growth Surveys, National Reform Programmes, and Stability or Convergence Programmes (Darvas and Vihriälä 2013; Crespy and Schmidt 2017; Bekker 2016; 2013) or on related tools such as the Excessive Deficit Procedure (Savage and Howarth 2018). Scholars also examine the question of EU social policy inherent in the Semester and whether macroeconomic policy coordination is aiding the improvement of social policy or causing retrenchment (Zeitlin and Vanhercke 2018; Roger, Otjes and van der Veer 2017; Parker and Pye 2017; Maris and Sklias 2016; Kvist 2013; Eihmanis 2018; Copeland and Daly 2018). The next logical extenuation of this research is to approach the Semester from the perspective of policy analysis and evaluation to assess systematically its effectiveness.

The literature on the Semester provides a good overview of the relative success of the Semester in selected cases, for example covering whether CSRs enable EU institutions to exert more reform pressures on member states or have instead simply motivated member state governments to implement reforms in line with their own interest (Eihmanis 2018; Copeland and Daly 2018). Some of the single or comparative case studies offer insights into how the Semester affects reform processes in particular countries or in specific policy areas such as labour markets (Bekker 2018) or environmental policy (Behrens and Rizos 2017) or a comparison of cases and countries (Bokhorst 2019). Such studies look at the implementation track record of member states (Samardzija and Skazlic 2016; Efstathiou and Wolff 2018; Deroose and Griesse 2014; Darvas and Leandro 2015) and the way CSRs affect specific national (Schreiber 2017; Louvaris Fasois 2016) and European policies (Enderlein and Haas 2016; Behrens and Rizos 2017). Most of these studies find that, although legal competences remain grounded in the fundamental principles of sovereignty and subsidiarity, the Semester has provided the EU-level with greater access to the economic, fiscal and social policies of member states, as well as a larger role in scrutinising and providing feedback on those policies.

Research on the Semester is increasingly including analyses on the entire set of recommendations issued since the inception of the European Semester process. A notable example is the work of Crespy and Vanheuverzwijn (2017) on the meaning of the term 'structural reform', which takes into account the content of all CSRs between 2011 and 2017. Our approach builds on the same idea: an analysis of all CSRs can detect patterns that are easily overlooked when focusing on single countries or policy areas. Our aim in constructing a large dataset, which includes refined categories of policy areas, is to offer a comprehensive picture of the reforms promoted by the EU and to explore possible reasons for differences over time and between countries. The focus on the 'supply side' of the European Semester is an important step on the way to finding out what exactly the Semester's effectiveness depends on (Rodrik 2015: 17) and how it works in practice. Specifically, detailed information about the policy areas affected by CSRs gives us an idea which interest groups and ministries are affected, which in turn influences the political cost of reforms.

This article also speaks indirectly to the ongoing debate about over convergence in the Euro Area, from a broad perspective of assessing the thematic areas of policy prescriptions and recommendations. The Semester is often referred to as indicating a shift to more centralisation and a strengthened role of EU institutions in European economic governance after the crisis. Within the Euro Area in particular, the Semester is a key tool to address an important underlying perceived cause of the Euro Area financial crisis – insufficient economic and fiscal coordination. Its key components – the strengthened Stability and Growth Pact and the Macroeconomic Imbalance Procedure – signal more stringency in EU economic policymaking through both surveillance and coordination of national policies (Savage and Verdun 2016; Bauer and Becker 2014). While the effectiveness of these new governance mechanisms remains subject to considerable controversy, their mere existence has provoked renewed criticism about overly intrusive and insufficiently legitimised action by EU institutions. In particular, critics have portrayed the objective of improving convergence as part of the problem rather than the solution to the Euro Area's troubles. In this vein, Regan (2017: 969) claims that this 'vision of convergence is exacerbating rather than resolving the imbalance of capitalisms at the heart of the Eurozone'.

At the heart of this argument sits an emphasis on the existence of distinct models of capitalism within the currency union, as defined by the varieties of capitalism literature. Moving beyond the original dichotomy (Hall and Soskice 2001), the comparative capitalisms literature suggests the existence of at least four distinct types of capitalism within the Euro Area: liberal, coordinated, mixed and dependent market economies (see Nölke and Vliegenthart 2009; Bohle 2018; Amable 2003). These distinct models, the argument goes, are poorly served by a 'one size fits all' approach to macroeconomic policymaking. While this criticism is particularly prominent when it comes to the reform packages implemented under 'Troika' surveillance at the height of the Euro crisis (see

Rodrigues and Reis 2012; Regan 2017), similar concerns about a one-sided focus on fiscal consolidation and supply-side structural reforms have been waged against the Semester (see Copeland and Daly 2018). The focus of the debate on the variety of economic models and their differential needs provides one interesting lens for analysis that we use in our exploration of the data.

## EUROPEAN SEMESTER DATA

The Semester produces a wealth of quantitative and qualitative data. Given its strong reliance on economic statistics and formalised reports, some authors even define it as 'an information-driven surveillance system' (Savage and Howarth 2018: 212). The Semester thus invites both longitudinal and cross-country comparisons to identify patterns of successful policy coordination over time. The annual CSRs provided to all EU member states are particularly well-suited for comparative analysis as they follow a clearly specified format. They thus allow researchers to assign simple values to otherwise complex processes of economic and social reform.

The official definition of a CSR, according to the Commission, is a set of recommendations which 'provide policy guidance tailored to each EU country on how to boost jobs, growth and investment, while maintaining sound public finances' (European Commission 2018: 1). These sets of recommendations adapt priorities identified at the EU level to the respective national level and attend to potential sets of progress towards these priorities in the short-term (approximately 12-18 months following the recommendations) (European Commission 2018). Perhaps counterintuitively, the Commission evaluates the progress made on implementing CSRs midway through this short-term period, only seven months after their adoption.

For our dataset, we decided to rely on manual coding. CSR texts are highly condensed and technical and even small changes in their formulation can change the meaning drastically. Therefore, a team of coders who are familiar with EU language and policy debates promises more accurate results than the alternatives. Of course, turning text into distinct categories suitable for quantitative analysis inevitably involves some degree of judgement, regardless of the specific method chosen to build the dataset.

The four authors of this paper developed a coding template to identify whether member states complied with CSRs. The details of a coding-scheme were further developed by three of the four authors – the team that also coded all CSRs issued to Euro Area countries between 2012 and 2017. Since countries under an economic adjustment programme are subject to enhanced policy surveillance and do not receive CSRs (Council of the European Union 2017), there is no data for Greece; some years are missing for Cyprus, Ireland and Portugal. We coded a total of 1,566 CSRs, of which 457 are 'headline CSRs', i.e. longer pieces of text containing all of the guidance put forth by the Commission within a broad policy area for the country in question. Since a headline CSR often contains several individual reforms and is consequently also assessed in several parts by the Commission, we additionally coded 1,109 'sub-CSRs': more targeted elements within a broader recommendation. This approach is in line with other research on the European Semester (Efstathiou and Wolff 2018; Crespy and Vanheuverzwijn 2017).

Our main variable of interest is the policy area. The Commission currently uses a classification scheme that comprises 32 different policy areas. Each recommendation can be assigned up to three categories. While this provides some interesting insights about Commission's priorities (Efstathiou and Wolff 2018), it has a number of shortcomings. First, the categories are on different levels of abstraction. Some are very specific, such as 'reduce the debt bias', 'insolvency framework' or 'active labour market policies'. Other are all encompassing, such as 'public administration' or 'fiscal policy and fiscal governance'. It is especially surprising that some categories seem to be completely included in others. For example, ‘competition in services’ cannot be a category on the same level as ‘competition and regulatory framework’ because the former is always part of the latter. Secondly (and partly related to the previous point), some categories are very well populated, while for others it is hard to find more than a handful of examples in more than a thousand CSRs. Fiscal policy is a topic in 10 per cent of all CSRs, while the categories of insolvency framework, telecoms, and unemployment benefits are only assigned to 0.7 per cent of CSRs. Third, the Commission differentiates between more and less ‘politically costly’ reforms (European Commission 2016: 82), but this separation is not explained further. Lastly, assigning a CSR several categories without any hierarchy leads to an unnecessary loss of information. Simply knowing that a CSR addresses wages, competition and education is much less useful than knowing that a CSR is primarily about wages, partly about competition, and mentions education only in passing.

In devising a new classification of policy areas, we applied three criteria:

(1) CSRs can be assigned multiple categories, but they must be ranked.

(2) The categories should reflect separations between policy areas as they are established in the public debate. For example, business environment and competition both relate to the behaviour of firms in the market, but one debate is concerned with helping companies succeed while the other is about protecting consumers. This should go some way in helping us identify which interest groups are affected by CSRs, a precondition for differentiating between more and less politically costly reforms.

(3) The number of categories should not be too high because this is detrimental to intercoder reliability, but the scheme must still include all topics that relate to economic policy in a broad sense.

Our proposed classification scheme is shown in Table 1. In its structure and the relative frequency of categories, it is similar to the findings of Crespy and Vanheuverszwijn (2017). Their article differs from our study in important characteristics: their research interest is the meaning of structural reforms, and they analyse all EU member states, not just the Euro Area. Nevertheless, a comparison can serve as a robustness check, and the results are reassuring.

**Table 1: Three ways to classify policy areas in comparison**

| D’Erman, Haas, Schulz and Verdun | European Commission | Crespy and Vanheuverszwijn |
|---|---|---|
| Budgetary policies | Broadening the tax base | Taxation |
| | Fight against tax evasion, improve tax administration and tackle tax avoidance | |
| | Reduce the tax burden on labour | |
| | Fiscal policy and fiscal governance | Investment |
| | Long-term sustainability of public finances, including pensions | Pension / Healthcare |
| Social policy | Health and long-term care | |
| | Childcare | Social protection |
| | Poverty reduction and social inclusion | |
| | Unemployment benefits | |
| Business environment | Business environment | N/A |
| | Insolvency framework | |
| Competition | Competition and regulatory framework | Single Market |
| | Competition in services | |
| | State-owned enterprises | |
| Education and innovation | Education | Education / R&D / Innovation |

| D'Erman, Haas, Schulz and Verdun | European Commission | Crespy and Vanheuverszwijn |
|---|---|---|
| | Research and innovation | |
| | Skills and life-long learning | |
| Employment and wages | Active labour market policies | Labour market / Education |
| | Employment protection legislation and framework for labour contracts | |
| | Incentives to work, job creation, labour market participation | |
| | Wages and wage-setting | |
| Environment | Energy, resources and climate change | Energy/ Environment |
| Infrastructure and energy | | |
| | Telecom, postal services and local public services | N/A |
| | Transport | |
| Private-sector credit, housing and banking | Access to finance | Financial sector |
| | Financial services | |
| | Reduce the debt bias | |
| | Housing market | N/A |
| | Private indebtedness | |
| Public administration | Public administration | Public administration |
| | Shadow economy and corruption | |
| | Civil justice | |

*Source*: Authors' representation based on own research, Crespy and Vanheuverszwijn (2017), Efstathiou and Wolff (2018).

Intercoder reliability is a major challenge in coding the content of dense, technical text across several dimensions. For this reason, we took special precautions. All four authors of our team worked together to develop the coding and the scoring system, and to discuss and analyse the results of the coding exercise. Four authors developed the coding and discussed how to put together the categories and the range of the scores. Three of the four authors formed a coding 'team' to review the CSRs. For each country, two of the three people on our coding team reviewed CSRs and coded independently their respective judgment. Even with extensive training and a detailed communal codebook, some degree of subjective judgment is inevitable. But since every observation is coded twice, we can quantify the implied uncertainty for the entire dataset, not just for a small sample. Our intercoder reliability scores for the main policy area are summarised in Table 2. For our analysis, we draw a random sample that includes one instance of every CSR. This enables us to check our findings for robustness.

**Table 2: Intercoder reliability scores for the primary policy area**

| | Percentage agreement | Cohen's kappa |
|---|---|---|
| Coders 1+2 | 73.6 | 0.696 |
| Coders 2+3 | 83.2 | 0.769 |
| Coders 3+1 | 77.4 | 0.734 |
| Average | 78.1 | 0.733 |

Percentage agreement ranges from 0 to 100 percent. Cohen's kappa ranges from 0 to 1. Source: Authors' calculations.

Of course, there are some caveats to take into account even if we manage to avoid any bias in the coding process. The relative frequency of policy areas may not only reflect the economic situation and the Commission's preferences. Commission documents are heavily-edited texts which may be written by actors with their own agendas and might include path dependencies, some of which may be evident and measurable (for example differences between Commission drafts and CSRs adopted by the Council), while others remain hidden. It is conceivable, for instance, that the Commission is pressured by member state governments or interest groups to drop a recommendation or change its specific formulation. Faced with criticism regarding the Semester's declining implementation scores, it may also choose to drop reform requests from the list of recommendations if they have been repeatedly ignored during past cycles. Finally, in a form of anticipatory obedience, it may shy away from recommending reforms it knows to be anathema in a given country.

## WHAT CAN CSRS TELL US ABOUT THE EU'S ECONOMIC REFORM PRIORITIES?

At the highest level of aggregation, the data give us a convenient overview of EU's reform priorities towards Euro Area members receiving CSRs. If we simply add up the number of times a category was applied, we get a picture that is similar to the one in existing studies (Efstathiou and Wolff 2018; Crespy and Vanheuverszwijn 2017), although it is worth mentioning one discrepancy: public administration is a much more common policy in our own classification and the one by Crespy and Vanheuverszwijn (2017) than in the one based on the Commission's categories. Apart from this, all three schemes agree that most reforms concern budgetary policies, employment and wages and social policy.

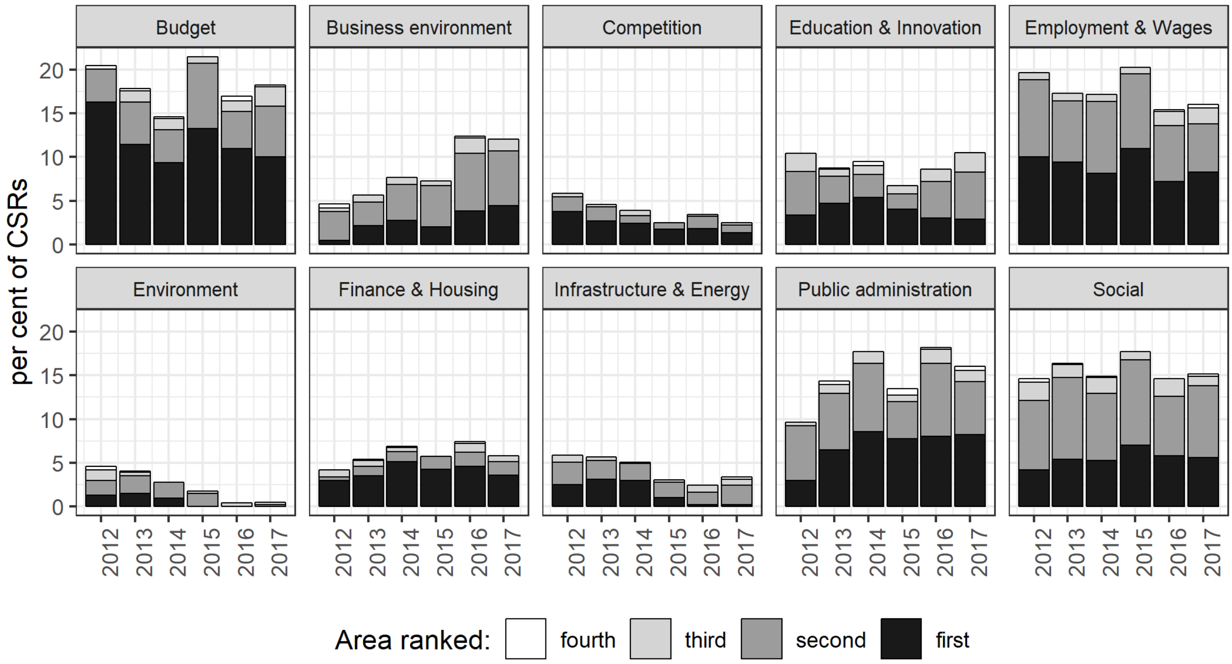
However, if we take into account the relative importance of policy areas within the recommendations, the picture painted by our data becomes more nuanced. Three groups of policy areas emerge (see Figure 1). There are areas that are clearly related to the debt and deficit rules within the construct of EMU, for example budgetary policies or employment and wages. They are frequently addressed in CSRs and often constitute the primary focus of the reform. A second group of policy areas is frequently mentioned, but often only as secondary or third priority. This includes social policy and business environment. Finally, there is an interesting group of policy areas that are not very common, but when CSRs address them, they typically focus on them. This group comprises competition policy, and finance and housing.

Our findings remind us that headline numbers can deceive. Areas that are often mentioned only in passing might seem more important a first glance than they really are. They might be mentioned frequently, but that does not mean that most recommendations really focus on them. If we only take into account policy areas ranked as the main focus of a CSR, the predominance of budgetary and employment policies in the Semester is underlined.

Beyond this summary assessment, it is worth tracking changes in the reform recommendations over time. While the European Semester is a relatively young instrument, it has already seen a reform in response to criticism about low CSR implementation rates (Darvas and Leandro 2015; Alcidi and Gros 2017). After the Semester was introduced, the Commission increased the number of CSRs it issued each year. The number of headline CSRs grew from 79 in 2012 to 101 in 2014. In 2015, the Commission announced that it would simplify the Semester in order to help countries focus on fewer but crucial reforms. As a result, the number of CSRs then dropped precipitously to 61 in 2015 and later to 52 in 2017. In the same period, Latvia, Ireland, Portugal and Cyprus started receiving CSRs upon exiting their macroeconomic adjustment programmes, so the decline is even more pronounced on a per-country basis.

But has this trend really simplified the Semester or is the EU just cramming more content into fewer CSRs? The data shows little change. Between 2013 and 2014, the median number of policy areas per headline CSR was three. This number dropped to two in 2015 but quickly went back to three in 2016-17. We conclude that the simplification of the Semester was a partial success in terms of efficiency. The lower number of overall CSRs means that Euro Area members receive a smaller amount of 'homework'. This could help focus the political capital available for policy coordination. Individual CSRs, however, have not become less complex. The majority of CSRs address three or more policy areas, so it is very likely that several ministries must cooperate in order address them. A likely result is that veto players find it easier to obstruct unwanted legislation and implementation becomes more complex.

**Fig 1: The share of policy areas as a share of all CSRs over time, 2012-17**




*Source*: Authors' representation based on European Commission data.

Have EU priorities changed between 2012 and 2017, either as a result of changing economic circumstances or because of the simplification of the Semester in 2015? A comparison shows several trends (Figure 1). CSRs concerning environmental policy and infrastructure and energy have fallen out of favour after 2015 and are now nearly extinct. Competition policy has slowly but steadily become less common. In contrast, business environment is mentioned more often every year, even though it is rarely the main focus of a CSR. The four top areas (budgetary policies, employment and wages, public administration and social policy) do not show a clear trend. They have remained mostly stable since the beginning and despite the streamlining.

We now return to the argument that the EU is promoting a convergence across the Euro Area's economies that could damage established growth models. The original varieties of capitalism approach suggests 'nations with a particular type of coordination in one sphere of the economy should tend to develop complementary practices in other spheres as well' (Hall and Soskice 2001: 18f). This is because institutional subsystems governing capital, labour, and product markets are often mutually reinforcing: the presence (or efficiency) of one institution, such as patient capital provision, increases the returns from, or efficiency of, another (for example high levels of employment protection). In other words, each institution depends on the presence of others in order to function effectively, to which scholars have ascribed the term 'Coordinated Market Economies' (Soskice 1999: 110). Thus, nations should tend to converge on complementary practices across different spheres of the economy because the presence of several 'correctly calibrated' subsystems increases the performance of the system as a whole (Hancké, Rhodes and Thatcher 2007: 3).

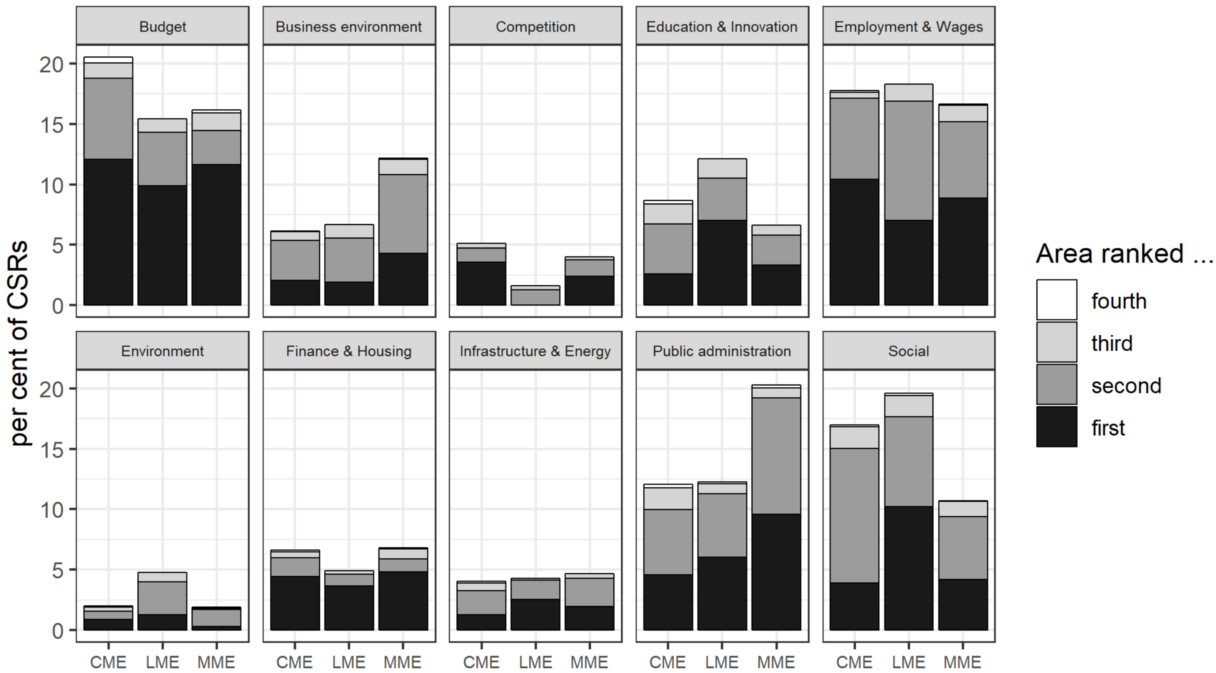
Encouraging countries to leave their established path in favour of 'one size fits all' reforms could damage their growth prospects even if the reforms are sensible.

In this light, it appears sensible to ask whether the EU's recommendations take the differences in economic models into account. Is it promoting 'one size fits all' reforms or, instead, handing out different sets of reforms to Coordinated Market Economies (CMEs), Liberal Market Economies (LMEs), and Mixed Market Economies (MMEs)? In other words: are recommendations tailored to country-specific needs or to different types of capitalism? For example, encouraging more competition in heavily regulated CMEs and making recommendations about social policies in welfare-wary LMEs might bring the models closer to convergence in the long run. In order to analyse this question, we follow what could be the called the consensus way of classifying capitalist models across Europe: we consider the Mediterranean countries of Cyprus, Italy, Greece,[2] Malta, Portugal and Spain as MMEs, and the Northern European states of Austria, Belgium, Germany, Luxembourg and the Netherlands as CMEs. Following the three-fold distinction Bohle and Greskovits (2012) proposed for CEE countries, we label the Baltic states of Estonia, Latvia, and Lithuania as LMEs alongside Ireland, and include Slovenia as a CME. Given the fact that only one of the four Viségrad countries, Slovakia, has thus far adopted the Euro, we do not include from the analysis the category 'Dependent Market Economies' (DMEs) (Nölke and Vliegenthart 2009). Similarly, for simplicity we consider Finland as a CME rather than representing a distinct Nordic model in part because the other Nordic states remain outside of the Euro Area. How to classify the capitalist model of France, finally, has been hotly debated in the literature. Due to the strong role of the state in coordinating industrial relations and other areas of economic life, some authors consider it a distinct type of capitalism (Schmidt 2003; Clift 2012), while others define it as either CME (Schneider and Paunescu 2012) or MME (Amable 2003). We opt to add France to the group of MMEs, as it shares a number of characteristics with Italy insofar as current economic challenges and needs for reforms are concerned. Thus, for the purpose of the analysis it was chosen to add France to that category.

We find both surprising similarities and marked differences regarding the relative importance of different policy areas in CSRs addressed to different types of economies (see Figure 2). The presumed antipodes in Euro Area governance – the CMEs of the Northern 'core' and the MMEs in the Southern 'periphery' – differ somewhat in terms of the reform priorities indicated by Semester CSRs. However, this difference is not substantial enough to add weight to narratives of Euro Area governance as a clash between creditor and borrower states or between different economic philosophies in North and South (Brunnermeier, James and Landau 2016). A more frequent outlier regarding the reform priorities identified by the Commission are the LMEs of Ireland and the Baltic states, specifically concerning the quantitatively most important areas of reform.

The Commission addresses LMEs very much in line with what one could expect from a varieties of capitalism perspective. They have received markedly fewer recommendations primarily focused on budgetary policies, employment and wages as well as, particularly, competition policy. If we take into account second- and third-order priorities within the recommendations, however, the differences are much less pronounced in all three areas, suggesting that the EU does not consider reforms in these areas as unnecessary, rather they are just not prioritised. The priority of reform in LMEs clearly concerns social policy, education policy, and, to a lesser extent, infrastructure and energy. In all these policy areas, LMEs have received far more recommendations primarily focused on them than the Euro Area's MMEs and CMEs. Again, differences are far less noticeable when considering second- and third-order priorities for reform. Focusing on the policy areas identified as top priority, however, paints a clear picture of a distinct path for economic reform in LMEs.

**Fig 2: Policy areas covered in CSRs by type of capitalism**




*Source*: Authors' representation based on European Commission data.

Reform priorities for the Euro Area's CMEs and MMEs, by contrast, are surprisingly similar. This observation is particularly evident when considering the relative importance of budgetary and social policies as a top priority of reform recommendations, in the level of recommendations in finance and housing as well as infrastructure, and in the similar first priorities in social and budgetary policy areas. The similarities between these two categories of capitalism suggest that recommendations in policy areas by variety of capitalism may have more nuance in variation between liberal models and other models, rather than between and among all distinct models. Some variation between CMEs and MMEs is noteworthy when considering the CME's most frequent first priority (employment and wages) and lowest priority (administration and infrastructure), and MMEs higher prioritisation of business environment and public administration. Taken together, analysing the recommendations by policy in aggregate suggests the importance of state-capacity and level of development for EU prescriptions coming through CSRs, rather than variation according to the model of economy alone.

## CONCLUSION

In 2010 the European Semester was created for the purpose of better coordinating fiscal and economic policies within EMU. The Semester aims to tackle economic imbalances by giving EU member states reform recommendations regarding their public budgets as well as their wider economic and social policies. In this article, we developed a method to code CSR policy areas and assess the way in which the CSRs have been addressing coordination in the Euro Area. We offered a systematic analysis of the way they have been formulated and whether they attempt to provide 'one size fits all' recommendations.

The first contribution of this article is methodological. We propose a number of variables relevant to thematic policy areas in CSR recommendations and outline how they can be coded based on official documents. This includes salient issues pertaining to inter-coder subjectivity and reliability when coding text as data, as well as EU-specific issues for the categorisation of policy areas and the subjects which they contain. The result is a dataset that can be analysed in future studies. The second contribution of this paper is in trying to ascertain whether different market economics and 'varieties of capitalism' within the Euro Area obtain different sets of recommendations regarding different policy areas. By studying the full range of Euro Area member states and policy areas we may in due course be able to draw important generalisable insights. Our results speak to one of the reoccurring questions in the literature about whether the EU is pursuing a 'one size fits all' approach to economic policy making in the Euro Area (Rodrigues and Reis 2012; Regan 2017). We seek to provide some further insights on some of the most interesting questions posed by the qualitative literature.

We find that the recommendations that the different Euro Area members have received over time vary according to country, year, and economic model. Different types of market economies (Hall and Soskice 2001) among Euro Area members tend to obtain recommendations focused on different policy areas. However, the policy areas affected by a recommendation are mostly a proxy for the EU's reform priorities; in and by themselves they do not tell us much about how exactly the EU is trying to alter the policies of a member state within a given policy area. For example, in its recommendation focused on labour markets and wages, does the EU promote reducing or strengthening workers' rights? Future research could usefully shed light on these questions of the 'policy direction' of the EU's recommendations.

In this vein, follow up research could examine whether CSRs promote deregulation and smaller governments, or whether the EU seeks convergence at the cost of heavily enshrined domestic practices and preferences, as well as the role of institutions, interests, and ideas in economic governance. Further research may want to investigate whether it is useful to differentiate among the impact of CSRs that contribute to (welfare) state building or rather aim at retrenchment and market making.

## ACKNOWLEDGEMENTS

The authors are grateful for financial support from a Social Science and Humanities Research Council (SSHRC) Insight Grant 435-2015-0943 and the Erasmus+ programme of the European Union, which co-funded this research through a Jean Monnet Transnational Network Grant ('EUROSEM'). Earlier versions of this article were presented at the European Community Studies Association-Canada (ECSA-C) in Toronto 9-11 May 2018 and at the workshop "New Conceptual and Methodological Developments in the Study of EU Economic Governance", 7-8 June 2018, Luxembourg. The authors thank the participants of the ECSA-C panel and discussant Grant Amyot and the Luxembourg workshop and in particular the two formal discussants Muireann O'Dwyer and Igor Tkalec for helpful comments and feedback. The authors also thank the guest editors of the Special Issue and two anonymous referees of the journal for helpful comments on an earlier draft. Any remaining errors of course are those of the authors.

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## ENDNOTES

[1] Savage and Howarth (2018: 220-221) provide an account of how the use of statistics in Valencia (a Spanish Autonomous Community) triggered the first financial sanction in the EMU framework.
[2] Greece has no data points for the period under investigation because countries do not receive CSRs while under a loan programme overseen by an EU-financial assistance programme in place. Therefore, there are also no data points for Cyprus, Portugal, and Ireland for some of the years analysed here.

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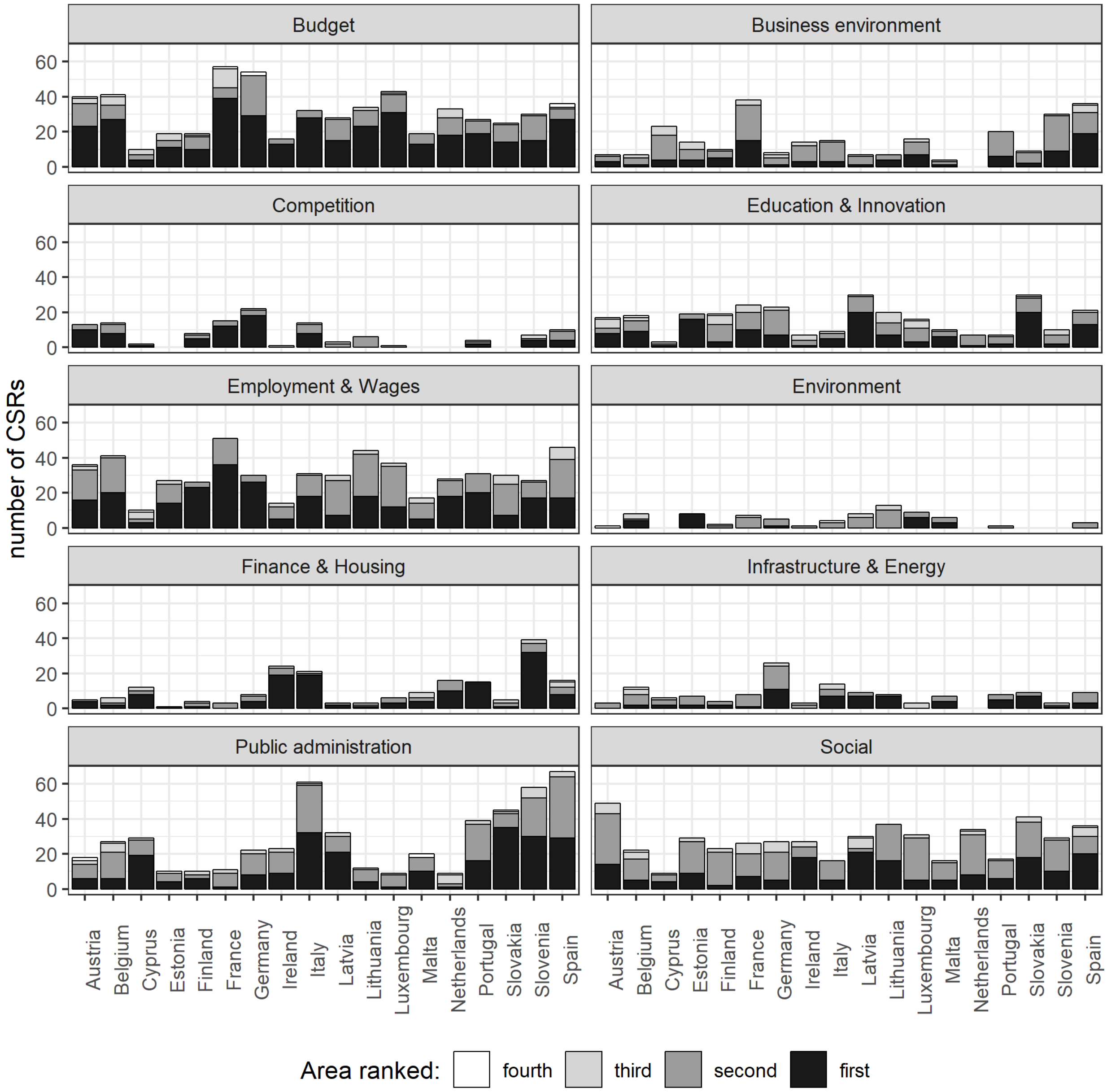
## ANNEX: POLICY AREAS COVERED IN CSRS BY COUNTRY




*Source*: Authors' representation based on European Commission data.

Journal of Contemporary
European Research

Volume 15, Issue 2 (2019)

Research Article

# The Council's Amendments to the Country-Specific Recommendations: More than just Cosmetics?

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***Citation***

Tkalec, I. (2019). 'The Council's Amendments to the Country-Specific Recommendations: More than just Cosmetics?', *Journal of Contemporary European Research* 15(2): 212-227.
https://doi.org/ 10.30950/jcer.v15i2.1001

First published at: www.jcer.net

# Abstract

Country-specific recommendations (CSRs) are the main policy oriented output of the European Semester economic policy coordination. This article studies the reasoning behind the Council's amendments to the Commission's initial proposals of CSRs. It uncovers internal tensions and disagreement between the two institutions that may severely obstruct the efficacy of the policy coordination process. Ultimately, this article investigates if the amendments are of any substantive relevance or merely cosmetic. Using quantitative sentiment analysis and qualitative case studies, this article concludes that the Council's amendments tend to be of substantive relevance. The main topics of disagreement between the Commission and the Council concern fiscal and social policy issues. Overall, the Council endeavours to ensure national ownership of policy recommendations by emphasising the importance of national traditions and specificities in policymaking practice.

# Keywords

Council of the European Union; Country-specific recommendations (CSRs); European Semester; European Commission; Sentiment analysis

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The Five Presidents' Report (Juncker 2013) on completing Economic and Monetary Union (EMU) stipulated the need for a stronger coordination of macro-economic policy within the Union, especially in the aftermath of the sovereign debt crisis. To accomplish this, the current (macro-economic) policy coordination framework, notably the European Semester, needs to be further strengthened. The European Semester is an annual economic policy coordination cycle that essentially aims to generate (structural) reforms at the national level. Country-Specific Recommendations (CSRs), proposed by the European Commission and amended and/or endorsed by the Council of the European Union, are the primary policy oriented output of the Semester. Member states are expected to comply with the recommendations to avoid possible sanctions from the EU level (see Zuleeg 2015b; Deroose and Griesse 2014; Darvas and Leandro 2015). CSRs are the focal point of this article.

This article addresses the following research question: are the Council's amendments to the Commission's Country-Specific Recommendations (CSRs) proposals of substantive relevance, and if so, why? The reasoning behind this research question lies in the potentially obstructing relations among the actors involved in the European Semester's processes. In particular, inter-EU institutional dynamics, especially between the Commission and the Council, are of immense relevance for the overall efficacy of the policy coordination process. The transfer of powers from the national to the EU level that would secure effective enforcement and implementation of the Semester's rules, objectives and policy recommendations, is unlikely to occur in the current political environment. Therefore, enforcement and implementation of supranational rules rely on policy coordination and, consequently, on the internal dynamics, notably between the Commission and the Council, which 'own' the coordination procedure. In other words, disagreement over internal coordination procedures and executive powers between the Commission and the Council are a barrier to the effective functioning of policy coordination (Zuleeg 2015b, 2015a).

To answer the research question, I use quantitative sentiment analysis to demonstrate the differences in the two versions of the CSR documents and to detect pairs of documents that differ the most. Subsequently, I perform qualitative case study analysis of selected pairs of CSR documents. The findings demonstrate that the Council's amendments to the Commission's proposals of CSRs are of substantive relevance and not cosmetic in nature. Fiscal, social and labour market policies are focal points in the disagreement between the two institutions. With the amendments, the Council aims to reinforce and ensure national ownership of policy reforms taking into account specific national socio-economic contexts and policymaking practices. Overall, the Council tends to be more optimistic and confident (relative to the Commission's position) regarding the assessment of a member state's economic performance and regarding its ability to pursue the agreed policy recommendations.

This article is organised as follows. The next section depicts the European Semester cycle and the process of CSR formulation. The article then outlines the methodology employed in this paper. The results of the analysis are then evaluated, focusing on the impact of tensions in the Commission–Council relationship. The concluding section discusses the main factors behind these results.

## THE EUROPEAN SEMESTER AND COUNTRY-SPECIFIC RECOMMENDATIONS (CSRS)

The current policy coordination framework was established in the aftermath of the Euro crisis. In particular, the so-called 'Six-Pack' legislative package adopted in 2011 was envisaged to strengthen coordination and surveillance with an overarching aim to spur economic growth and competitiveness at minimal cost at the EU (euro area) level (Bouwen and Fischer 2012). Elements of the governance reform package operate within the European Semester, a regime for economic policy coordination functioning on an annual basis (Gren, Jannsen and Kooths 2015). The Semester encompasses three coordination mechanisms, namely the Stability and Growth Pact (SGP), the Macroeconomic Imbalance Procedure (MIP) and the Europe 2020 strategy. The main aim of the Semester is to initiate and/or support policy reform processes at the national level in realms such as fiscal policy, macroeconomic policy, labour market, investment and social policy. The Semester starts with the Commission's proclamations of the Union's policy priorities in the Annual Growth Survey (AGS) followed by the submissions of the member states' stability (euro area countries) or convergence (non-euro area countries) programmes. The annual cycle ends with the Commission issuing the CSRs, the main policy output of the whole coordination process targeted at member states (Gros and Alcidi 2015; Darvas and Leandro 2015; Bénassy-Quéré 2015).

Existing studies debate the European Semester in the broader context of the evolution of EU economic governance after the Euro crisis along three axes (Verdun and Zeitlin 2018). First, they investigate how the Semester balances between economic and social policy priorities and objectives (see Zeiltin and Venhercke 2018; Copeland and Daly 2018). The second axis poses the question whether EU governance and the Semester are becoming more supranational or intergovernmental (see Savage and Howarth 2018). Third, scholars aim to situate the Semester's governance structure between technocratic and democratically accountable governance (see Crum 2018). In addition, scholars focus on the implementation of CSRs at the national level (see Deroose and Griesse 2014; Darvas and Leandro 2015; Alcidi and Gros 2015) to assess the overall effectiveness of the Semester. However, for the purpose of this paper, it is difficult to establish a clear and direct causal connection between implementation rates (overall effectiveness) and inter-institutional disagreement between the Commission and the Council. Instead, this article clarifies the Commission and Council's perception of policy coordination procedures notably through their preferences and opinions stated in the CSRs. Nonetheless, it should be acknowledged that themes such as the success of CSR implementation and the Semester's structure and policy priorities are of immense importance and rightfully deserve careful scholarly attention.

CSRs are anchored in the broader policy priorities determined in the AGS at the start of the Semester cycle and in the Commission President's State of the Union address (Costello 2017; European Commission 2017). In May of each year, the Commission proposes CSRs based on an analysis of risks and challenges in an individual member state with an overarching aim to promote growth, competitiveness, job creation, sustainability of public finances and poverty reduction. CSRs are underpinned by both EU primary (Article 121 and 148 of Treaty on the Functioning of the EU) and secondary (SGP and MIP regulations and integrated guidelines) legislation. Ultimately, CSRs are policy guidelines for the member states designed at the EU level. They are politically (not legally) binding for the member states (Hradiský 2018). Yet, legally, in the situation of non-compliance, the Council may impose sanctions upon euro area countries in the form of a fine. Sanctions are an inherent part of the Excessive Deficit Procedure (EDP) and the Excessive Imbalance Procedure (EIP), the corrective arms of the two main policy coordination mechanisms under the Semester – the SGP and MIP respectively (Deroose and Griesse 2014; Darvas and Leandro 2015; Costello 2017).

Member state representatives in the Council discuss, amend and endorse the Commission's initial CSR proposal, while the European Council adopts the final version a month later. As a general rule, the Council is expected to follow the Commission's proposal (Hradiský 2018: 1). Otherwise, the Council must explain and justify its amendments publicly, according to the 'comply or explain' principle. If this is the case, the Council publishes a report entitled *Explanations of modifications to Commission Recommendations for the Country Specific Recommendations.* In the process of CSR adoption, the Commission and the Council are assisted by the Economic Policy Committee, Economic and Financial Committee, and the European Parliament's Employment and Social Affairs Committee. These committees partake in the process of the so-called multilateral surveillance reviews (MSRs) that evaluate the progress of implementing the previous year's CSRs and guide the design of the CSRs for the upcoming year.

For the purposes of this paper, I distinguish between the policy recommendations and the documents that contain the CSRs. The CSRs are the lists of actual recommendations to be pursued in a certain period (usually one year) by a national government. The lists of recommendations are commonly used as data when analysing implementation rates and the effectiveness of the Semester. What I consider as a CSR document includes the recitals (assessment and analysis of the national economic situation and reform programmes) and the CSRs themselves (a list of specific policy recommendations). Thus, CSRs constitute only one element of a CSR document. Both elements are segments of a single official report. Given that this article focuses upon opinions (sentiments), it is more promising to analyse the whole set of CSR documents rather than just the specific policy recommendations because the documents consist of more textual data, which can provide a deeper understanding of the preferences of the Commission and the Council.

CSR documents cover numerous policy fields such as fiscal policy, investment, business environment, financial sector policy, employment policy and social protection (see Zuleeg 2015a; Gros and Alcidi 2015; Clauwaert 2013 for an overview). They are a promising channel for identifying and explaining internal tensions and disagreements between the Commission and the Council within the European Semester. Moreover, the 'ownership' of the coordination process permeates through the CSRs, as they are the primary policy-oriented output of the Semester framework. As indicated, the Commission has a crucial role in the assessment of national economic performance specifically in the draft version of the CSRs, whereas the Council has the key role in amending and adopting the final version of the CSRs (Alcidi and Gros 2014). Co-executive powers and internal tensions between the two institutions may be an obstacle for an effective functioning of policy coordination (Zuleeg 2015b;

2015a). Thus, a comparison of the Commission's and the (amended) Council's versions of the CSR documents is a useful way to explore and detect sources of disagreement in order to enlighten inter-institutional processes within the European Semester.

## METHODS AND DATA

This article combines quantitative and qualitative analysis to answer the research question. First, I carried out a quantitative sentiment analysis. Subsequently, due to the limitations of a quantitative approach to the subject matter, I complement the results of the sentiment analysis with a qualitative case study analysis of the CSR documents. Sentiment analysis encompasses various techniques that identify and extract subjective information (such as opinions and attitudes) by using natural language processing, text analysis and computational linguistics (Mantyla, Graziotin and Miikka 2018). Opinion mining has been used as a synonym for sentiment analysis (see Pang and Lee 2008). Thus, the two terms are used interchangeably in this paper. The proliferation of opinion mining as an analytical tool can be explained by the assumption that opinions are at the core of most human activities and that they influence human behaviour. Research fields applying sentiment analysis include inter alia health science, management, computer science and finance. Political science has also embraced sentiment analysis as a value-added data analysis technique (Zhang, Wang and Liu 2018).

One of the main tasks of a sentiment analysis is to detect polarity in a document, also known as semantic orientation. In particular, polarity classifies an opinion as one of two opposing sentiments. Usually, opposing sentiments refer to the positive/negative dimension (Taboada, Brooke, Tofiloski, Voll, et al. 2011; Cambria, Schuller, Xia and Havasi 2013). This article aims to detect positive/negative sentiments in CSR documents by analysing their textual content. It analyses the text of two abovementioned segments of the CSR documents, namely the recitals and the lists of specific policy recommendations. The analysis aggregates sentiment scores for individual words in each CSR document in order to determine whether the whole document conveys an overall positive or negative opinion/sentiment and, more importantly, to illustrate the difference in opinions between the two versions of CSR documents. I separately calculated sentiment scores for CSR documents written by the Commission and those amended by the Council. The main objective of this sentiment analysis is to detect CSR documents that demonstrate the highest difference in sentiment scores.

This article adopts a lexicon-based approach to calculating and aggregating sentiment scores for each document. The lexicon-based approach calculates sentiment scores based on the semantic orientation of words or phrases in a document (Taboada, et al. 2011). Scores for words and phrases are determined ex ante and incorporated into a dictionary/lexicon (see Table 1 for examples). Assigning scores ex ante is based on the opinion bearing words that are conventionally used to express positive or negative sentiments. Lexicon-based sentiment analysis simply translates the pre-determined scores to actual textual data. However, the lexicon-based approach entails analytical limitations that also hold for other natural language processing techniques, namely negation handling and lexical affinity (see Pang and Lee 2008; Cambria, Schuller, Xia and Havasi 2013 for a detailed example). To illustrate, sentiment analysis would correctly classify the sentence 'today was a happy day' as positive, yet it is likely to wrongly classify the sentence 'today was not a happy day' also as positive (see Banker and Patel 2016). Moreover, sentiment analysis, for the purpose of this paper, is limited in demonstrating and explaining changes in sentiments over time. The reason lies in the so-called streamlined Semester (Hradiský 2018) introduced in 2015 onward which reduced both the detail and number of CSRs. Therefore, changes in the amount of text would contribute more to sentiment scores than actual changes in opinions of the two institutions. Consequently, sentiment variation over time would not be consistent. In sum, despite its limitations, sentiment analysis is appropriate for structured documents covering similar topics (Cambria, Schuller, Xia and Havasi

2013), a condition CSR documents satisfy. This analysis was executed in the *R* software using two packages: *tidyverse* (Wickham 2017) and *tidytext* (Silge and Robinson 2017).

**Table 1. Examples of sentiments scores defined by AFINN lexicon**

| Word | Sentiment score |
|---|---|
| Fraud | -4 |
| Deficit | -2 |
| Postponed | -2 |
| Support | 2 |
| Excellent | 3 |
| Outstanding | 5 |

*Source:* Adapted from Silge and Robinson (2017)

In an attempt to minimise the limitations and to strengthen the robustness of the results, I conduct the sentiment analysis with three different lexicons. In particular, I use AFINN (developed by Finn Arup Nielsen), BING (developed by Bing Liu and collaborators), and NRC (developed by Saif Mohammad and Peter Turney) lexicons (see Silge and Robinson 2017). The lexicons use different criteria and scales to determine ex ante sentiment scores for words and phrases. Subsequently, I perform a qualitative case study analysis to complement the results of the sentiment analysis. The objectives of the qualitative analysis are threefold: to outline thematic sources of disagreement in the Commission's and the Council's opinions stated in the CSR documents; to explain the disagreement; and to highlight possible repercussions of inter-institutional tensions for EU economic governance in general. Ultimately, qualitative case study analysis aims to assess if the Council's amendments in the CSR documents are substantive while taking on board findings from sentiment analysis.

Pairs of CSR documents serve as cases. Each pair consists of a Commission and a Council version of a CSR document for the same member state issued in the same year. I selected five pairs based on the highest differences in sentiment scores between the two versions for the subsequent case study analysis. Data used in the analysis are publicly accessible at the European Commission's official website (see European Commission n.d.). The sample consists of 240 CSR documents issued by the Commission (120) and the Council (120) in English, covering the period from 2011 to 2017. Five CSR documents (Austria 2011, Greece 2012, Finland 2012, Estonia 2013 and Portugal 2013) were omitted from the sample due to unavailability or inability to be read by the software.

## RESULTS AND DISCUSSION

This section provides the key discussion with regard to the findings of this paper. The first group of results concerns the insights from the sentiment analysis. Second, I demonstrate and discuss the Council's amendments in five selected pairs of cases focusing on the potential reasoning behind them. Finally, I transpose the issue of inter-institutional tensions to a more general debate on EU economic governance and repercussions the tensions could have.

### *Sentiment scores in respective versions of the CSR documents*

I used three sentiment lexicons (NRC, AFINN, and BING) in the analysis to strengthen the robustness of the results. I considered the positive/negative dimension as the most appropriate to detect differences in opinions. The NRC lexicon classifies words and consequently determines sentiment scores ex ante in a binary fashion ('yes'/'no') for several categories such as positive, negative, disgust, fear and so on. The BING lexicon categorises words and determines their sentiment scores solely for the positive/negative dimension. The AFINN lexicon offers a more streamlined classification of words into the positive/negative categories and the sentiment scores range between -5 and 5. The lower the score (minimum -5), the more negative the sentiment. In contrast, positive sentiment scores indicate a positive sentiment (maximum 5) (Silge and Robinson 2017). I aggregated the sentiment scores into an overall sentiment score for each version of the CSR document. Subsequently, I compared the overall sentiment scores of the documents issued by the Commission and those issued by the Council.

The results demonstrate predominantly positive scores (positive language) for both CSR documents issued by the Commission and those issued (amended) by the Council. However, sentiment scores for the Council are slightly higher (more positive) on average. The sentiment scores from all three lexicons confirm this trend (see Table 2).

**Table 2. Average sentiment scores for the Commission and the Council**

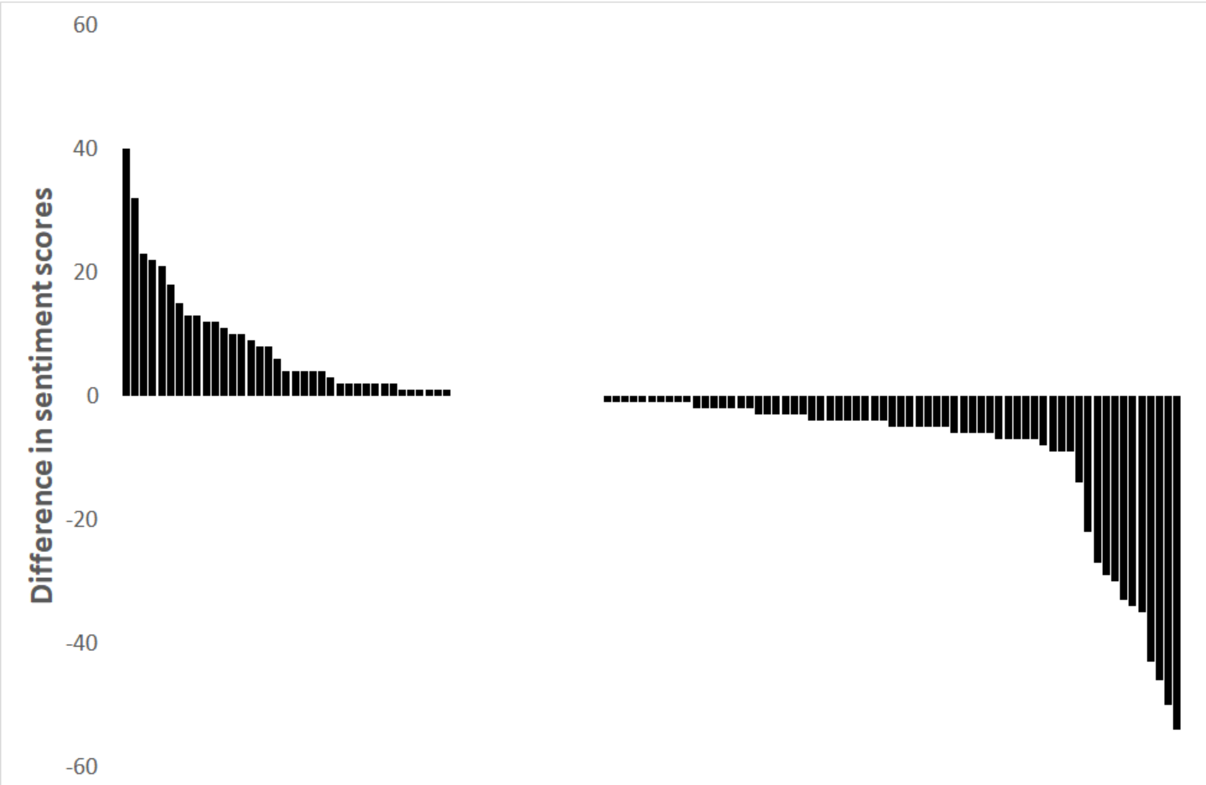
| | **Average sentiment score** | |
|---|---|---|
| Lexicon | Commission | Council |
| **AFINN** | 47.54 | 50.10 |
| **BING** | 42.74 | 44.77 |
| **NRC** | 67.63 | 70.10 |

*Source*: Author

Due to the discussed limitations of the quantitative sentiment analysis, it is rather difficult to assess what more positive sentiment scores in the Council's version exactly mean solely by looking at the scores. Superficially, the Council's consistently more positive assessments of economic and policy reform performance in member states may allude to the 'politicisation' of the process. A surprisingly small number of CSR documents with negative sentiment scores may as well contribute to this line of argumentation. Politicisation would essentially mean that the Council (mis)uses its power and right to amend the CSRs in order to postpone or even disregard often politically costly reforms in fiscal and social policy areas proposed by the Commission (see Schuknecht 2000; Milesi-Feretti, Perotti and Rostagno 2002; Fatás and Mihov 2003; Buti and van den Noord 2003; Alesina, Cohen and Roubini 1992). However, the procedural nature of CSR formulation and endorsement questions this line of argumentation. In particular, all amendments made by the Council that are not consensually accepted by the Commission must be explained under the 'comply or explain' principle. Therefore, the sentiment scores assigned along the positive/negative dimension are not sufficient to support the politicisation argument on their own (see McConnell 2010; Marsh and McConnell 2010 for in depth discussion on the concept of politicisation). Perhaps, one may conduct a process-tracing analysis to test such claims.

Nonetheless, sentiment analysis did produce findings of relevance to the research problem of this article in two respects. First, by demonstrating different average sentiment scores of the two versions of the CSR documents, sentiment analysis showed that a certain degree of disagreement between the two institutions exists. However, the difference between the average scores is not significant. This would imply that there should not be major disparities between the Commission and the Council across the middle part of the distribution of difference in sentiment scores. Therefore, for the purpose of this paper, the tails (outliers) of the distribution are of specific interest (see Figure 1). In particular, the subsequent qualitative analysis is based on the right distribution tail as it illustrates the score difference in documents where the Council had the higher (more positive) sentiment score, which is in line with the average trend. Nevertheless, I also address the left distribution tail where the Commission's sentiment is more positive in an attempt to strengthen the overall argument.

**Fig 1. Distribution of difference between the Commission's and the Council's sentiment scores**




*Source*: Author
*Note*: The difference was calculated by subtracting Council's scores from Commission's scores

Consequently, the second contribution of the sentiment analysis is the detection of outliers: pairs of CSR documents that have the highest difference in sentiment scores and are presumably the most disputable concerning changes made in their textual content (see Table 3).

**Table 3. CSR documents with the highest difference in sentiment scores (AFINN lexicon)**

| CSR document | Council sentiment score | Commission sentiment score | Difference |
|---|---|---|---|
| **France 2011** | 56 | 2 | 54 |
| **France 2015** | 83 | 33 | 50 |
| **Finland 2015** | 85 | 39 | 46 |
| **Greece 2011** | 47 | 4 | 43 |
| **Germany 2015** | 80 | 45 | 35 |

*Source*: Author

### *Case studies: The reasoning behind the Council's amendments of the CSRs*

The overarching aim of this case study analysis is to determine if the Council's amendments are cosmetic or substantive. Additionally, the case study analysis outlines and explains thematic (policy) disagreement between the two institutions and highlights possible repercussions of inter-institutional tensions for EU policy coordination in general. As noted, I selected five pairs of CSR documents that demonstrate the greatest difference in sentiment scores between the Commission and the Council as cases (the outliers). I calculated the difference in sentiment based on the scores yielded by the AFINN lexicon, as this lexicon offers a more streamlined score assignment scale (from -5 to 5) along the positive/negative dimension.[1] The selected cases are CSR documents for Greece (2011), France (2011), France (2015), Finland (2015), and Germany (2015). I analysed the pairs of cases from the Council's perspective.

In the case of CSR documents for Greece in 2011, the difference in opinions between the Commission and the Council is not substantive, but cosmetic. The difference occurred solely due to the amount of text and language used in the documents. Therefore, meanings, interpretations and suggestions stated in both versions of the CSR documents are equivalent. This case is a manifestation of the above-mentioned limitations of quantitative text analysis techniques. However, in the other four cases detected by the sentiment analysis, the Council's amendments are of a substantive nature.

CSR documents for France in 2011 demonstrate a meaningful disparity between the two institutions. First, the documents state different interpretations of the occurrence of an economic decline of 2.7 per cent of GDP in 2009 and different explanations regarding resilience to the recent economic and financial crisis. On the one hand, the Commission emphasised a low degree of economic openness, whilst, on the other hand, the Council identified household consumption as the main driving factor of the decline. Second, the Council's assessment of future budgetary projections and expected growth levels in the following year was more optimistic than the Commission initially stated. Moreover, the Council expressed more optimistic opinions on the improvement of deficits stating that despite missing the targets for government deficit and debt in the past, the French government still produced better than expected results in 2010. Third, the Commission questioned the ability of the French government to bring pension system finances in balance by the year 2020. Nevertheless, the Council confidently stated that this objective could be fulfilled as early as 2018. To support the optimistic and confident view on the above issues, the Council repeatedly referred to the legislative package that the French government had enacted, namely the *Multilayer Public Finance Planning Act (2011-2014)*. In the Council's view, the French government specifically designed this legislative package to address the issues the Commission highlights in the initial version of the CSR document. In sum, the substantive amendments made by the Council predominantly concern fiscal policy.

Other changes of substantial relevance occurred in the area of labour market and social policies. The Commission highlighted the unsatisfactory efforts made by the French government to tackle the problem of dualism in the French labour market. Again, the Council referred to the same legislative package (*Multilayer Public Finance Planning Act 2011-2014*) that allegedly consists of necessary measures to address this specific issue. Additionally, the Council was confident that the legislative package would have been sufficient to address the problem of tax and social security exemptions (the Commission considers them a threat to the consolidation of public finances). The above-depicted changes of substantive relevance occurred in the recital segment of the CSR document. Nevertheless, the end product, a list of policy recommendations, was subject to amendments as well. In one policy recommendation, the Council precisely re-emphasised the impact of the abovementioned legislative package. Particularly, it claimed that the implementation of policy measures in the package would have multiple, synergetic favourable effects. For instance, the Council felt confident that lowering the government deficit would positively affect debt reduction.

Moreover, previous efforts to reform the labour market, especially labour segmentation, were seen by the Council as having a positive impact upon human capital potentials in France.

The CSR documents for France (2015) show substantive differences in the same policy areas as those for 2011. To illustrate, concerning fiscal policy, the Council emphasised enacted measures and disseminated an optimistic view on the French compliance with provisions of the SGP. More specifically, it recognised the efforts made by the French government regarding budgetary strategy and its implementation of structural reforms. In addition, the Council provided a more fine-grained assessment of pension deficits. Concerning labour market policy, the Council took a rather cautious attitude toward the Commission's initial suggestion to modify the 35-hour week policy. The reasoning behind a cautious approach was based in the Council's concern for additional costs that such modification could cause.

Detecting France (2015) as the case with one of the biggest difference in sentiment scores illustrates the precision of sentiment analysis, as the case is presumably the most disputed one. The Commission rejected the Council's amendments of the initial CSR document, which enlightens its disputable nature. Consequently, the CSRs for France (2015) were subject to the 'comply and explain' principle. The most disputed policy recommendation concerned spending reviews in the public sector (see Council of the EU 2015). In particular, the Council's amendment considered the inclusion of continuous public policy evaluations as a complement to an effective spending review. The Council justified the change as contributing to the improvement of overall government efficiency. Oddly, the amendment actually reinforced and strengthened the Commission's initial recommendation rather than being opposed to it. Moreover, in another recommendation, the Council emphasised the role of social partners and national practices in social and employment policy reforms. This recommendation suggests that the Council wants to preserve national ownership of the design and implementation of the proposed reforms.

The reasoning behind the Council's version of the CSR document for Finland (2015) follows a pattern similar to the French cases from 2011 and 2015. The Council was far more detailed and specific about measures adopted by the Finnish government by highlighting the effects of the *Strategic Programme* (in the French case the Council repeatedly referred to a specific legislative package as well). For instance, the Council aimed to address the proposed measures by the Commission with a single *Strategic Programme* especially to ensure the correction of the excessive deficit. With regard to the policy recommendations, the Council is more specific concerning fiscal policy and deficit adjustments than the Commission.

As in the French case (2015), one policy recommendation was subject to the 'comply and explain' principle. The Commission recommended that the Finnish government should ensure that wages evolve in line with productivity. The Council amended this recommendation by emphasising the exclusive competence of social partners in wage setting and by clearly stating that the Finnish government could only promote wage developments suggested by the Commission rather than ensure them. As noted above, a substantive change with equivalent reasoning ending up under the 'comply and explain' principle occurred in the CSR documents for France (2015). Here again, in the Finnish case, the national socio-economic context and the insistence upon national ownership of the proposed reforms became points of disagreement. The Finnish (2015) case again demonstrates the usefulness of sentiment analysis as it detected the case as one of the most disputed, based on the difference between the sentiment scores.

The last case I discuss in this article concerns the CSR document for Germany (2015). The difference between the sentiment scores of the Commission and the Council only partially occurs due to substantive matters (partially due to the amount of text and difference in language without significantly changing the meaning). However, the CSR documents for Germany in 2015 are of relevance for this article as one policy recommendation ended up under the 'comply or explain' principle, meaning there was an evident disparity between the two institutions. As in the cases discussed above, the disagreement concerned fiscal policy. Essentially, the Commission suggested that the German government should increase public investment using its available fiscal space (general government surplus). Nonetheless, the Council's version of the recommendation disregards the term 'fiscal space' with the explanation that there would be no official definition of the term under SGP legislation. In other words, the Council is protective of German (non-expansionist) fiscal policy and general government surplus that has been on an increasing path since 2014. Fiscal policy has historically been a salient issue for Germany in the EMU context, as demonstrated by the insistence of German governments upon the Maastricht criteria, ECB monetary policy design (i.e. no monetary financing of government spending) and specifying the SGP rules (see Jones 2002; Buti, Franco and Ongena 1998). Finding a niche in secondary legislation regarding the non-existing definition of 'fiscal space' in order to defend surplus policies is another example of the salience of fiscal policy for Germany.

In sum, in cases where the Council states more positive opinions than the Commission (outliers on the right tail of sentiment score difference distribution), the amendments are of substantive relevance. This does not hold for the outlier cases for which the Council's sentiment scores are lower (more negative) than the Commission's (left tail of the score difference distribution).[2] The only case where the Council's amendments could be interpreted as substantive is Germany (2017). The difference in the other outlier cases on the left tail of the distribution is exclusively due to cosmetic changes. Therefore, the findings from the case studies demonstrate a certain degree of robustness.

### *Potential effects on EU policy coordination*

The insights drawn from the case studies translate into a more general debate on EU policy coordination. Primarily, the case study analysis shows that the Council's amendments tend to be substantive rather than consisting of merely cosmetic changes. In addition, discussions about certain policy areas, notably fiscal, labour market and social policies, consistently occur as points of disagreement between the Council and the Commission. The link between the three areas is a significant political cost of reforms.

Previous developments in EU policy coordination show the perils of inter-institutional disagreement over politically costly policy reforms. In particular, the SGP enforcement crisis and reform in 2005 resulted in legal action initiated by the Commission against the Council (see Howarth 2007; Chang 2006; Calmfors 2006). Interestingly, during the SGP crisis, the wayward member states (France and Germany) appear as cases involving a high level of disagreement between the Commission and the Council, as could be shown in this study. The repeated occurrence of fiscal and social policies as themes of disagreement relates to the longstanding preoccupation with economic stability rather than growth in EU-level macro-economic policy coordination. To illustrate, the Commission's input on fiscal and social policy areas in the CSR documents is driven predominantly by the overarching aim of sound public finances. Thus, sound public finances are a guideline in pursuing all of the proposed reforms. The Council accepts this guideline, yet aims to suggest alternative, less costly means on how to follow and achieve it. The Commission's perception of sound public finances as the 'holy grail' explains why it tends to present rather strict assessments and demands in the CSR documents compared to the Council's softer and optimistic approach (see Howarth 2008). The question here is whether the predominant focus on stability rather than on growth is counter-productive both in terms of the effectiveness of the EU policy coordination regime and the economic development of the member states. Subordination of growth to stability is an additional layer of the economic versus social axis (Verdun and Zeitlin 2018) debate in the context of the Semester mentioned in the introduction.

Moreover, as seen in the French (2011) and the Finnish (2015) cases, the Council tends to emphasise the power of domestically enacted legislative packages to capture all the initial demands proposed by the Commission. These occurrences may be a double-edged sword in the context of CSRs and the Semester in general. On the one hand, the existence of legislative measures indicates that a national government (diligently) undertook required actions to implement CSRs. On the other hand, encompassing various policy recommendations in a single package may also indicate that individual CSRs are unclear, vague and overlap, which ultimately obstructs their implementation. The literature has acknowledged the analytical limitations of CSRs as a policy guideline tool (see Bénassy-Quéré 2015).

Finally, the most evident takeaway message from analysing disagreement between the Commission and the Council concerns the Council's endeavours to ensure national ownership of proposed policy recommendations. Emphasising the role of national social actors and the relevance of historical and traditional national practices in certain policy areas are instances of this claim. Germany's strong national fiscal position, French reservation toward the Commission's proposal for restructuring the labour market, and the dominant role of social stakeholders in wage setting in Finland are concrete examples of a tendency toward national ownership, as discussed in this paper. A discussion about ownership of a policy reform usually occurs in an international policy context with multiple actors involved (see Vanheuverzwijn and Crespy 2018; Koeberle, Bedoya, Silarsky and Verheyen 2005).

Within the scope of this article and its findings, national ownership of reforms essentially refers to two phenomena. First, it refers to the Council's persistent acknowledgement of national practices in reform processes. Second, it concerns the Council's tendency to be more specific than the Commission in individual policy recommendations to limit the scope of the proposed reforms and to curb the extra (political and social) cost of the recommendations. To illustrate, in the case of Finland (2015), the Commission recommended ensuring that the excessive deficit was brought below 3 per cent of GDP. The Council amended this recommendation with more specific tasks, namely achieving a minimum fiscal adjustment of 0.1 per cent of GDP in 2015 and 0.5 per cent of GDP in 2016. Therefore, the reform capacity of the Finnish government was taken into account, presuming that the government aimed at containing the political and social costs of this measure. The evidence about national ownership of policy reforms queries the argument that the Commission's (surveillance) influence increased after the 2011 governance reform (see Guidi and Guardiancich 2018 for exemplification of this argument specifically in the context of pension policy) and presents the Council as the dominant actor in the policy coordination process. However, one ought to inspect other cases and specific contexts of the design of the CSRs to test more effectively the relative weakening of the Commission.

## CONCLUSION

This article explored the reasoning behind the Council's amendments to the Commission's proposals of CSRs. CSR documents are the main policy-oriented output of the European Semester. Therefore, they constitute an adequate channel to investigate the efficacy of the European Semester. It undertook an inter-institutional approach by comparing the Commission's and the Council's opinions (sentiments) stated in their respective versions of CSRs documents. The main methods employed were quantitative sentiment analysis and, subsequently, qualitative case study analysis.

The results indicate that the Council's amendments tend to be substantive rather than cosmetic. Sentiment analysis demonstrated, first, that there is a difference between the two versions of the

CSR documents. Second, the analysis detected five cases (Greece 2011, France 2011, France 2015, Germany 2015, and Finland 2015) where the CSR documents differed the most. These findings were then tested and further explored in in-depth case studies, which confirmed the substantive relevance of the Council's amendments. Politically costly reforms in areas such as fiscal, labour market and social policies consistently appear to be points of disagreement between the Council and the Commission. On the one hand, the Commission tends to be rather strict in these policy areas, while persistently referring to the need to respect sound public finances. On the other hand, the Council's amendments seek to circumvent the Commission's strictness and adjust the proposed measures to the current reform capacity of the member state in question. Overall, in its amendments, the Council emphasises the importance of national traditions and practices in policymaking, which the Commission (to some extent) disregards. Consequently, the Council aims to reinforce and ensure national ownership of policy recommendations and their respective implementation. The cases discussed in the article exemplify this endeavour: Finland (2015) and its wage setting policy, France (2015) and its labour market reform and Germany (2015) and the use of its available fiscal space.

These conclusions are statements (appropriately tested on a small number of cases) whose generalisability should be approached with a dosage of caution. An important element that would significantly extend the generalisability of the results, but is not fully considered in the analysis, is the nuanced political (and economic) context of a member state in a given year. For example, taking into account the proximity of the elections and/or political colour of a member state's government may improve explanations of the rationales behind the Council's amendments of the CSR documents for a given year. Nonetheless, in order to take advantage of the specific political (and economic) context, a multifaceted approach to understanding the amendments may be beneficial. The multifaceted approach goes beyond the sole dynamic between the Commission and the Council that this article adopts and may include interactions within a national government (for example among relevant ministries), within the Council itself and with other relevant actors (or institutions) in both supranational and national contexts. This kind of analysis may require different methodological techniques such as semi-structured interviews and/or process tracing with the aim of enlightening the effects of the specific national contexts on the rationales behind the amendments of the CSRs. Therefore, although the conclusions of this article offer stimulating explanations of the issue at hand, they possibly require further research focused on specific national contexts and dynamics among other stakeholders in the coordination process.

Overall, however, this analysis contributes to the existing literature on the European Semester in two key ways. First, it explores and tests sentiment analysis as an innovative and infrequently used methodological technique. Despite its evident limitations, sentiment analysis contributed to the discussion of the presented research problem. However, its explanatory potential is merely descriptive. Sentiment analysis and similar techniques such as topic modelling and measuring distance between documents could take advantage of the abundance of textual content produced within the Semester cycle. Nevertheless, for more in-depth insights into the internal dynamics of the European Semester, one is encouraged to supplement sentiment analysis with other types of qualitative analyses such as process-tracing and discourse analysis, applying a case study design. The second contribution of this article is to add to the EU studies literature by assessing both the tensions between the two main institutions involved in the European Semester policy-making process, the Council and the Commission, and the potential (adverse) effects of these tensions on EU policy coordination in general. As a short introduction into the impact of inter-institutional dynamics on policy coordination within the European Semester, this article invites further examination of these and other, nuanced dynamics.

## ACKNOWLEDGEMENTS

The author would like to thank Professor David Howarth, participants of the 'New Conceptual and Methodological Developments in the Study of EU Economic Governance' workshop as well as the reviewers for their valuable comments and suggestions that have substantially improved the quality of the article. The author also acknowledges the importance of the Luxembourg National Research Fund (FNR) funding and is grateful for its support.

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## ENDNOTES

[1] Three out of five selected pairs of CSR documents display the highest differences in sentiment scores according to the BING lexicon as well.
[2] Five outlier cases on the left tail of the difference distribution are: France (2012; 2017), Germany (2014; 2017), Luxembourg (2017). The average difference score for the left tail outliers is significantly lower (27) than for outliers on the right tail (45.6).

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Journal of Contemporary
European Research

Volume 15, Issue 2 (2019)

Commentary

# Researching Technocracy: Actor-Centred Methodologies and Empirical Strategies for Studying EU Economic Governance in Hard Times

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***Citation***

Schulz, D.F. (2019). 'Researching Technocracy: Actor-Centred Methodologies and Empirical Strategies for Studying EU Economic Governance in Hard Times', *Journal of Contemporary European Research* 15(2): 228-239.
https://doi.org/10.30950/jcer.v15i2.1011

First published at: www.jcer.net

# Abstract

The Euro's problem-ridden second decade has made crisis management and economic reform across the European Union (EU) the priority of high politics. Despite the prominence of high-level intergovernmental summits, however, many studies identify EU policymaking elites as influential or even causal factors determining the EU's crisis response. This commentary therefore reviews the recent literature on EU economic governance which emphasises the role of supranational actors. The focus is on the methodologies and empirical strategies that scholars employ to determine the independent effect of policymaking elites on outcomes. This commentary identifies a renewed interest in actor-centred methodologies as well as a continuing emphasis on process-tracing approaches, primarily based on elite interviewing and document analysis. Finally, it discusses the potential of novel approaches relying on other sources of data such as policymakers' biographies, their speeches, or publication and citation patterns.



# Keywords

Actor-centred constructivism; Administrative elites; Central banking; Economic reform; European Monetary Union


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The story of the Euro crisis is in many ways a story of summits. Numerous times, European heads of government and their finance ministers negotiated fiercely until the early morning hours, trying to hammer out a compromise on how to 'save the euro' or how to reform the incomplete Economic and Monetary Union (EMU). Therefore, it is not a surprise that many analyses of EMU crisis management and reform explicitly or implicitly adopt an intergovernmental perspective (for example Puetter 2012; Bickerton, Hodson and Puetter 2015). However, a sizable part of the contemporary literature on European economic governance also emphasises the role of supranational institutions in the European Union (EU). Often going beyond conceptual debates of supranationalism versus intergovernmentalism as analytical lenses, numerous empirical contributions look at the European Commission, the European Central Bank (ECB), EU agencies, or factions within those organisations to explain outcomes.

This commentary reviews this part of contemporary EU scholarship, discussing why EU scholars choose to analyse administrative elites and how they go about it. I submit that the relative prominence of recent actor-centred scholarship in EU economic governance has its roots in characteristics of the EU polity, the specifics of macroeconomics as a policy area, as well as situation-specific factors related to emergency decision-making. I then discuss actor-based constructivism as a response to these three characteristics of EU economic governance in hard times, and systematise the empirical contributions the field has published over the past decade. Finding that most of this scholarship is rooted in traditional empirical strategies, I then review the potential of a number of innovative methods to study elite policymakers, their ideas and preferences.

## EMU RESEARCH AS THE STUDY OF UNELECTED POWER?

The prominence of 'unelected power' (Tucker 2018) has stirred debates about the EU's perceived democratic deficit for decades. Recognising the importance of policymaking elites, studies on EU economic governance have long focused on the role of expert groups both within EU institutions, such as the Delors committee (Verdun 1999) or the Eurogroup (Puetter 2006), and externally, as in Brussels' think tanks (Coman 2019) or groups of academic economists (Flickenschild and Afonso 2018). Despite the recent backlash against the outsized influence of experts, their influence has not waned. If anything, the institutional responses to the financial crisis have further amplified the policymaking powers of the EU's supranational bureaucracies and the agents therein. The ECB has greatly enhanced its influence by reinterpreting its mandate (Schulz 2017; Schmidt 2016), while the European Commission enjoys an increased role in economic policy implementation (Bauer and Becker 2014; Dehousse 2016; D'Erman et al. in this issue).

I observe three main reasons for the enduring prominence of technocratic elites in contemporary EU economic governance. First, the EU polity is marked by the delegation of decision-making powers to numerous formal and informal bodies wherein experts exercise influence in ways not directly observable. At the heart of EU economic governance sit its two supranational institutions, the European Commission and the ECB. While the Commission is arguably 'one of the most mature and powerful international bureaucracies worldwide' (Trondal 2010: 17), the ECB ranks in most indices of central bank independence as the world's most autonomous monetary institution (for example Dincer and Eichengreen 2014). Based on its unique Treaty-based mandate, the ECB has substantially increased its powers in recent years, adding unconventional monetary tools as well as supervisory responsibilities to its job description.

It is subject to debate whether the Commission is another 'unexpected winner' of the crisis (Bauer and Becker 2014) or whether it has instead seen its authority and resources increasingly being transferred to the ECB and intergovernmental institutions such as the Eurogroup or the European Stability Mechanism (Hodson 2013; Conceição-Heldt 2016; Chang 2013). Regardless of where we locate new powers in EU economic governance (the Commission, the ECB, or working groups and committees associated with the EU's intergovernmental bodies) they all represent powerful bureaucracies in which economic expertise is an important source of authority. Furthermore, even the most high-level decisions in the Council or the ECB Governing Council are usually made in a 'culture of consensus' rather than following formal (and documented) voting procedures (Hagemann 2015: 143). EU scholars have therefore long recognised the importance of transnational networks of policymaking elites to explain outcomes at the EU level (for example Wallace 1983: 77).

A second aspect concerns the absence of clear cause-and-effect relationships in macroeconomic governance, making it a policy area that requires technocratic expertise to frame problems and solutions that are poorly understood by the broader public. The uncertainties about distributional implications of many macroeconomic issues also result in relative inaction of pressure groups (McNamara 1998: 59), further increasing policymakers' autonomy. Hence, 'economists are most likely to be influential advisers in situations understood as technical, and in ill-defined situations where uncertainty forces policymakers to look for new solutions' (Hirschman and Berman 2014: 780).

Third, the past decade has been marked by enormous uncertainty associated with fast burning crises (Seabrooke and Tsingou 2019) and 'fire-fighting' modes of policymaking. Economic governance generally involves a high degree of uncertainty because our knowledge about the state of the economy, fiscal multipliers, or the monetary transmission mechanism is always limited (Greenspan 2003). Since 2007, however, economic policymakers arguably face a different kind of uncertainty as historically stable economic relationships have broken down, forcing them to resort to untested tools to fight the downturn. Given that EMU policymakers oversee a large, heterogeneous, and asymmetric currency area with only a brief historical record, the uncertainties they faced arguably were even more fundamental than those of their counterparts in the United States and elsewhere. All this is not to suggest, however, that expertise does not matter during times considered as 'normal'. Yet 'crises typically do imply a broader than usual menu of feasible policy options [for policymakers] […] because the sense of crisis induces public deference to claims of political necessity' (Kreuder-Sonnen 2018: 962).

## ACTOR-CENTRED PERSPECTIVES ON EU ECONOMIC GOVERNANCE

Debates about EMU reform are frequently characterised as a 'battle of ideas' (Brunnermeier, James and Landau 2016), where different philosophies and traditions of economic policymaking clash. The contradictions between French Dirigisme and German Ordoliberalism suggest that conflicting ideas are often rooted in specific national historical experiences and institutional structures. In these debates, policymakers do not only try to find the 'right' technical solutions for common problems, but also strive to preserve national cultures and economic interests. Hall (1993: 289) thus turns Hugh Heclo's famous quote around by stating that actors do not only puzzle, they also power. Because it offers an actor-focused perspective aimed at bridging rational choice and more interpretative approaches (Saurugger 2013), proponents characterise actor-centred constructivism 'as one of the most promising conceptual frameworks in studying public policy outcomes in the EU' (Matthijs 2016: 378).

Actor-centred constructivism considers the importance of policymakers' individual backgrounds and worldviews in line with the constructivist assumption that individual beliefs are socially constructed. However, the approach also considers actors to hold strategic interests and to use ideas as resources in order to attain their goals. Thus, it aims to move beyond the dichotomy of 'interests' and 'ideas' often found in constructivist work, for example by considering beliefs and desires as important cognates of interest (Blyth 2002: 27-30). The approach encompasses more sociological methods to study individual and collective actors in order to understand the power games taking place between actors in policymaking (for example Parsons 2002). Advocates therefore hold that the approach offers a response to one of the central critiques of constructivism, namely the absence of considerations about authority and power (Saurugger 2013: 892). As a consequence, actor-centred constructivism has increasingly been applied to issues of EU economic governance (Matthijs 2016; Quaglia and Howarth 2018; Zeitlin and Vanhercke 2018).

In this nascent literature, the final policy outcome is thought of as a result of the cultural and ideological context in which political actors form their ideas. It however takes policymakers seriously by assuming that they have the autonomy to make decisions, and that one cannot simply predict their choices based on their official positions or the formalised rules of the game. This is where the approach differs sharply from actor-centred institutionalism (Scharpf 1997), which appears more concerned with the strategic environment and actor constellations found within institutional structures than with the actors themselves. In order to explain outcomes, actor-centred institutionalism turns to the specific logics of a decision-making situation rather than the characteristics of the actors involved. Within actor-centred constructivism, on the other hand, it matters who the actors are.

It remains open to debate whether this understanding of the policy process necessarily requires a novel methodological framework such as 'actor-centred constructivism' or, relatedly, 'discursive institutionalism' (Schmidt 2008). Bell (2011) argues that one may also place active, interpretive agents at the centre of analysis within suitably tailored versions of historical institutionalism. Similarly, many prominent frameworks to analyse the policy process also consider the role of actors.

Examples include 'policy brokers' within the advocacy coalition framework (Sabatier 1998) or 'policy entrepreneurs' within the multiple streams approach (Kingdon 1984). However, these broader frameworks regard actors as one variable of interest among others, whereas the empirical studies discussed below typically focus on actors as crucial determinants of outcomes. While many of them do not explicitly endorse actor-centred constructivism, they do tend to emphasise endogenous constructions over exogenous shocks.

To give an example, Kentikelenis and Seabrooke (2017) conceptualise the intra-organisational processes of 'script-writing' in the European Commission as contingent on three normative struggles: among staff, within the leadership, and between staff and leaders. In accordance with actor-centred constructivism, they see inter-organizational script-writing (or struggles about policy paradigms) as a function of both 'world-cultural frames and material interests, each held by different intra-organizational actors: bureaucrats and state representatives, respectively' (Kentikelenis and Seabrooke 2017). This implies a shift in emphasis away from the 'communicative discourses' between state actors and the wider public to the 'coordinative discourses' (Schmidt 2008) happening within and between the bureaucracies involved in EU economic governance.

## EMPIRICAL STRATEGIES IN RECENT EU ECONOMIC GOVERNANCE SCHOLARSHIP

Understanding EU institutions as sites of political contention, as Kentikelenis and Seabrooke (2017) suggest, signals a need to open the organisational black box. If we are to analyse the intra- and inter-organisational processes of puzzling and powering over 'dominant policy scripts,' we need to include EU technocrats in the analysis. Opening the black box, however, brings with it a number of challenges related to identifying actors, attaining access to and/or information about them, and linking some measure of their influence to a dependent variable of interest.

In terms of empirical strategies, elite interviewing and document analysis continue to dominate empirical studies of EU economic governance. To illustrate: searching one of the flagship journals for EU studies, the Journal of European Public Policy (JEPP), for the keyword 'economic governance' returns 86 published articles during the past decade (2008-2018). This includes 40 empirical studies, 30 conceptual contributions, six review articles, five broader narratives which do not clearly indicate their sources of information, and five false positives.[1] Out of the 40 articles focused on empirical questions, a full 22 base their arguments primarily or solely on interviews with policymaking elites. A further seven rely on the analysis of publicly available documents, from transcripts of parliamentary debates to formal policy recommendations. Another seven studies make use of survey data, four of which study public opinion based on Eurobarometer surveys while the remaining three studies analyse elite surveys.

While the interview-based studies cover a lot of empirical ground, many of them focus on the role of the Commission enacting or enabling change during and after the crisis. They study the Commission's thinking regarding EU cohesion policy reform (Mendez 2013), the successful push by DG Competition to liberalise German public banks (Seikel 2014) or the Commission's cooperation with the International Monetary Fund (IMF) and the ECB within the 'troika' (Lütz and Kranke 2014). Other works explicitly study 'Commission entrepreneurship' in either relaunching the economic reform agenda after the crisis (Copeland and James 2014), establishing the banking union (Nielsen and Smeets 2018) or reforming the Stability and Growth Pact (Schön-Quinlivan and Scipioni 2017). Studies of the European Semester, be it of how the European Council, Council and Commission decide on policy priorities (Maricut and Puetter 2018), how the Semester's recommendations are enforced (Savage and Howarth 2018), or how national officials instrumentalise the EU's policy targets at the domestic implementation stage (Eihmanis 2018), also often supplement their analysis of official documents with interview data to reconstruct decision-making behind closed doors. While this may often be the only option available to researchers trying to provide an account of 'what happened', the well-documented validity and reliability issues concerning elite interviewing (Berry 2002) make the search for complementary sources of data worthwhile.

## NOVEL STRATEGIES TO MEASURE POLICYMAKERS' IDEAS AND PREFERENCES

Recent studies have developed alternative strategies to analyse processes unfolding behind closed doors. Considering technocrats as strategic actors with their own interests and worldviews, these approaches aim at identifying proxies for policymakers' preferences and beliefs in their biographies, speeches, or actions. I structure my discussion of these empirical strategies below by drawing on John Gerring's discussion of ideology. Gerring (1997) raises the important question of where we try to locate mental constructs such as ideologies, beliefs, or preferences: in peoples' minds, their behaviour, or in the language they use? Should researchers observe what elites do or trust what they say?

Our empirical strategies will arguably follow from our ontological and epistemological positions. If we believe 'real' views and preferences to be located in actors' minds, we are likely to either interview or survey them, or analyse their CVs in search for clues. If we deem actors' behaviour more important, we may opt for more ethnographic methods like participant observation or try to record behavioural patterns directly by using experimental methods. Finally, when focusing on language, one can employ discursive tools to analyse actors' speeches or their publications, including citation patterns (see Table 1).

The literature on international bureaucracies such as the IMF or the US Federal Reserve offers some clues on how EU scholars may infer policymakers' ideas and preferences from their biographies. Based on the assumption that peoples' fundamental views are formed at some point in their lives and remain unchanged ever after, authors have drawn on publicly available CVs as a parsimonious way to quantify policymakers' characteristics. Scholars disagree, however, on which aspect of policymakers' biographies serve as the best predictor of their views. Adolph (2013) argues that policymakers' previous work experiences strongly predict their policy choices, distinguishing the 'financial type' and the 'government type' of central banker. Chwieroth (2007) and Lepers (2018), in contrast, code policymakers' education and professional training based on the prevalent economic ideas taught at the universities they attended.

While these scholars disagree about the sources of preferences, they all assume actors' fundamental preferences and core beliefs to be stable over time. Absent large-scale turnover and replacement of policymakers, then, such approaches have difficulty explaining change. A second potential drawback of biography-based studies concerns the trade-off between increasing the numbers of observations for statistical analysis and limiting the analysis to officials playing key roles in decision-making. Including members of staff, in line with Kentikelenis and Seabrooke's (2017) argument that staff-level struggles also matter, increases the number of observations. However, this comes at the cost of introducing uncertainties about how exactly staff influence decision-making at the top, since this part of the 'coordinative discourse' is impossible to observe directly and hard to reconstruct after the fact.

Research focused on more specific policy ideas or reforms, however, may prefer to draw on elite surveys or speech data instead. As questionnaires can be tailored to specific research interests in ways that biographical data may not, EU scholars have recently provided original surveys covering Commission staff (Trondal 2010), ECB staff (Schulz 2017), EU agency professionals (Wonka and Rittberger 2011) or staff of national parliamentary committees on budgetary and EU affairs (Hallerberg, Marzinotto and Wolff 2018). Other studies make use of existing datasets such as the

EPRG MEP Survey (Hix, Farrell, Scully, Whitaker, et al. 2016), to analyse, for example, the European Parliament's strategy in EU economic reforms (O'Keeffe, Salines and Wieczorek 2016). While elite surveys can carry with them great challenges regarding access (given that a good response rate and contextual knowledge is necessary to deal with issues such as non-response bias), data analysis is replicable.

**Table 1: Strategies to measure policymakers' views and preferences**

| Location | Source of data | Difficulty of access? | Replicability of analysis? | Example studies |
|---|---|---|---|---|
| **Mind** | Biographies | low | yes | *Chwieroth (2007); Adolph (2013); Lepers (2018)* |
| | Interviews | high | no | *Lütz and Kranke (2014); Nielsen and Smeets (2018)* |
| | Surveys | high | yes | *Wonka and Rittberger (2011); Hallerberg, Marzinotto and Wolff (2018)* |
| **Language** | Speeches | low | yes | *Bennani (2015); Bennani and Neuenkirch (2017)* |
| | Publications | low | yes | *Ban and Patenaude (2018); Flickenschild and Afonso (2018)* |
| **Action** | Participant Observation | high | no | *Geuijen, Hart, Princen, and Yesilkagit (2008); Suvarierol (2011)* |
| | Experiments | high | yes | *Doberstein (2017)* |

Recent advances in automated content analysis have made the quantitative analysis of speech data another viable option. For example, Bennani and Neuenkirch (2017) provide an indicator for inflation preferences of ECB policymakers based on the tone they reveal in their public speeches. In another attempt of 'dissecting the brains' of policymakers, Bennani (2015) constructs cognitive maps for European central bankers based on the economic reforms they advocate publicly. Much in line with Adolph's (2013) assumption about the 'financial type' of central banker, this study finds central bankers with backgrounds in finance to be less open to unconventional monetary easing.

A second form of textual analysis focuses on institutional publications rather than speeches. Publications such as the ECB's 'Economic Bulletin'[2] offer a way to approximate the doctrinal positions of these organisations as a whole instead of focusing on individuals' positions. This way to track doctrinal and policy change, however, is difficult to connect to individual-level characteristics. Cornel Ban's work thus proposes to combine content and network analysis, focused on the economists whose work is cited in official publications. Such citation networks visualise the linkages between official policy reports and their institutional suppliers of expertise (see Ban, Seabrooke and Freitas 2016). Following this approach, Ban and Patenaude (2019: 13) argue that the IMF revised its fiscal policy stance considerably more than the conservative ECB and demonstrate that the two institutions 'tapped into relatively distinct pools of expertise and enrolled different networks of experts'. Flickenschild and Afonso's (2018) comparative study of networks of economic policy advice in the US Council of Economic Advisors and Germany's Sachverständigenrat also makes use of social network analysis, as does Seabrooke and Tsingou's (2014) analysis of professional knowledge in expert groups drafting proposals for economic reform. Like speech data, the official publications these studies use are freely available, making the raw data easy to access and replication possible.

Participant observation and experimental methods appear feasible strategies in exceptional circumstances only, due to the difficulties of negotiating access. However, some recent studies have used ethnographic methods to study ‘Eurocrats at work’, focused on the EU-related activities of Dutch national civil servants (Geuijen, Hart, Princen and Yesilkagit 2008) or the cosmopolitan practices of Commission officials (Suvarierol 2011). The idea is that ethnography can unveil the beliefs and actions of key actors as well as their sense-making narratives and will help to explain how these ‘webs of belief’ actually inform elite action (Bevir and Rhodes 2006: 109). Due to obvious recruitment challenges, observing elite action in EU economic governance through experimental methods may be even more difficult to implement. However, Doberstein (2017) offers an example for a randomised survey experiment with the provincial government of British Columbia (Canada), demonstrating that policy analysts perceive academic research on economic policy to be substantially more credible than studies provided by think tanks or advocacy organisations, regardless of the studies’ content.

To sum up, some of these novel approaches offer elegant ways around the problem of negotiating access to policymaking elites and draw our attention to unused sources of information about them. This goes in particular for studies focused on policymakers’ biographies, speeches, or publication and citation patterns. Potentially quantifiable, these sources of data also allow for (replicable) statistical analysis. Yet, inferring individual preferences and worldviews from biographical data rests on the assumption that these remain stable over time, even in moments of crisis and fundamental uncertainty. To account for changing ideas and preferences and to include data more easily adjusted to a specific research question, EU scholars should draw on additional information whenever possible. Recent studies based on elite surveys (including survey experiments) and even participant observation show that scholars can go down numerous methodological avenues beyond resorting to elite interviewing only. This potential methodological variety remains too often unexploited in contemporary studies of EU economic governance.

## CONCLUSION: EMBRACING METHODOLOGICAL VARIETY

Contemporary studies of EU economic governance often focus on the influence of EU technocrats. This review suggests that such actor-centred approaches have gained in importance during the decade following the global financial crisis because the influence of policymaking elites is greatest during times of uncertainty. Fully understanding the policies prepared in the EU’s independent bodies and informal settings thus requires an investigation into the influence of and power struggles between elite policymakers, their characteristics and motivations.

This review has found that the bulk of published work in this field relies primarily or solely on interviewing techniques and document analysis and discussed alternative ways of studying EU policymakers. Making use of newly available data sources, such as detailed biographical information, these empirical strategies can constitute valuable additions to the toolbox of EU scholars. However, studies based on policymakers’ biographies, speeches, and publications as well as elite surveys appear better suited for detecting generalised patterns than for explaining specific outcomes. Causally linking structural features within the EU bureaucracy (such as typical career paths or education patterns) to policy outcomes thus requires combining those novel approaches with tried-and-tested interviewing techniques. I submit that such pragmatic mixed-method research is well-served by a flexible methodological framework such as actor-centred constructivism, because it considers both the strategic interests of actors as well as their embeddedness in cognitive and institutional structures.

## ACKNOWLEGDEMENTS

The author gratefully acknowledges postdoctoral funding from the University of Victoria and helpful comments received at an authors' workshop at the University of Luxembourg in June 2018.

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## ENDNOTES

[1] This includes all contributions published in JEPP between January 2009 and January 2019, including iFirst articles. The false positives either do not concern the EU, or mention 'economic governance' only in passing, rather than analysing it.
[2] Monthly Bulletin until December 2014.

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# Book Review

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**PARLIAMENTS AND THE ECONOMIC GOVERNANCE OF THE EUROPEAN UNION: TALKING SHOPS OR DELIBERATIVE BODIES?**

***Author: Aleksandra Maatsch***

# Abstract

This book concerns the role that parliaments (primarily at the national but also the European level) have had within the governance modes of the Economic and Monetary Union of the European Union after the Eurozone crisis and also with the measures assumed to counter it.

# Keywords

Parliament; EU; Governance; Economic and Monetary Union; Eurozone; Financial crisis

The Eurozone crisis has undoubtedly constituted a tremendous and multi-faceted challenge for the European Union (EU). One of the most important aspects has been the impact of the crisis on democracy within the EU and, by extension, the measures assumed to tackle it at the EU or the national level (e.g. Six-Pack, Two-Pack, financial assistance programmes). These measures have had considerable consequences for the way the democratic system works within member states, either those that have received or those that have provided financial assistance, but also on the relationship between them and decision-making at the EU level.

The analysis included in the book *Parliaments and the Economic Governance of the European Union* falls within the remit of the above, focusing on the relationship between primarily the national parliaments and some of the crisis measures and their adoption. The overall question that the book tries to answer is whether the national parliaments have gained, maintained or lost power during and since the crisis, in relation to EU governance.

The analysis is distributed across five empirically-focused chapters in addition to the Introduction and the Conclusion, and is based on papers presented at various conferences and workshops and, presumably, feedback and guidance provided therein. The Introduction sets the tone for the entire book, briefly over-viewing, on the one side, the varying nature of the measures assumed during the Eurozone crisis and, on the other side, the scholarship related to the power that parliaments can exercise over policies and the ways they can exercise it. The four key research questions that the author embarks upon answering in the book are: has the power of national parliaments increased or decreased during and since the Eurozone crisis measures? How have parliamentary parties voted on these measures? What has been the discourse of those parties relating to these votes? What have been the parties' attitudes towards macroeconomic theories?

The first analytical chapter (Chapter 2) presents brief timelines of the financial crisis, from its origin in the United States of America, to its transference within the EU and through various Eurozone member states that later accepted financial assistance. Then, the legal nature of Eurozone crisis measures is assessed, focusing on two of them concerning the provision of financial assistance and one of them concerning enhanced EMU economic coordination: the European Financial Stability Facility Société Anonyme (EFSF SA) and the increases of its capital, the now permanent European Stability Mechanism (ESM) and the Treaty on Stability Coordination and Governance in the Economic and Monetary Union (TSCG) respectively. Analysis to answer the first research question of the book is provided in Chapter 3, through a quantitative-based analysis of the modes of voting (focusing on ordinary or emergency legislative procedures and discussion) of national parliaments for the adoption of the three aforementioned crisis measures. The chapter then discusses the results of the analysis in relation to existing literature on power and its exercise by national parliaments, as well as potential factors that affected it on the specific voting sessions analysed. While the attempt is ambitious, the small number of references to other work and the oftentimes improperly justified explanations impede the effectiveness of the analysis.

The author continues by examining the second research question in Chapter 4, through a quantitative-based investigation of how national parliamentary parties voted on the adoption of each of the above three crisis measures, in order to determine an explanation into why each party voted in favour of or against each measure and whether there are any common lines across the Eurozone member states analysed. A discursive analysis to determine how national parliamentary parties justified their vote on the crisis measures is undertaken in Chapter 5, with the aim again being to determine any patterns that transcend national boundaries. In the last of the analytical chapters, Chapter 6, the author examines the macroeconomic preferences of national parliamentary parties, distinguishing between neoliberal and Keynesian paradigms. Chapter 7 concludes the research conducted and presents the findings in a summative manner.

It is worth noting that the subject matter of this book is highly specified and requires considerable knowledge of concepts of political science, not only in relation to the Eurozone crisis and relevant measures and the relevant theoretically-driven scholarship, but also in relation to methods (three of the chapters include statistical analyses), with the author employing a multidisciplinary combination of methods, such as content, comparative and discourse analysis. The author does not make any reference to the target audience of the book, but, from the above, combined with the very limited length within which there is not enough space to provide extensive temporal or legal background, and the scholarly-based structure of the chapters (specific research questions, hypotheses and then empirical findings), it is clear that the book is aimed at scholars and perhaps postgraduate students of political science.

The issue of this book is of paramount importance for the functional operation of the democratic system within the EU and its member states. It is the case that Eurozone crisis measures, whether de jure or de facto, include very few references to national parliaments or the European Parliament, thus arguably providing little room for their participation. However, especially in the first half, the book suffers from considerable shortcomings, meaning that it ultimately stands at odds with the truly monumental task its title suggests, to the point of rendering the title somewhat disconnected from the actual content of the book.

Considering the aforementioned target audience, the limited number of sources used, both in relation to empirical analyses (e.g. on the crisis timelines, on the legal nature of the crisis measures), and the limited references to relevant scholarship (e.g. the author does not reference Robert Mundell or any other source when presenting the three key elements of an Optimal Currency Area), the soundness of the argument that the author is trying to make is hindered. Furthermore, the measures that are examined are only a portion of those adopted during the crisis, and are all outside the EU operating framework, thus leading to a selective approach in terms of parliamentary oversight. The European Financial Stability Mechanism, the Six-Pack, the Two-Pack, the Euro Plus Pact, the amendment of Article 136 of the Treaty on the Functioning of the European Union (the last of which is mentioned, albeit with no further analysis), are all cases in which national parliaments and the European Parliament participate in the EU (and national) ordinary legislative procedure. It would have been advisable for those measures, and their arguably considerable impact on the findings of the analysis, to have also been examined, in order for the argument made by the author to be more convincing (the author does briefly mention most of them in the conclusion but with no further analysis). There are also various methodological shortcomings, including a failure to present information on any of the internal parliamentary or constitutional procedures for the different member states, providing limited examples of the adoption of crisis measures, not operationalising various concepts (e.g. neoliberalism, Keynesianism), and not providing proper information on the compilation of various data (e.g. the table/database of Chapter 3 does not reference how the data was compiled). The above, in combination with issues in terms of validity, generalisability, somewhat repetitive narrative and certain inconsistencies (e.g. the general statement that directives do not require parliamentary ratification without accounting for any difference across member states; lack of proper analysis of the draft budget oversight under Regulation 473/2013), prevent the author from strengthening both her argument and the overall analysis contained in the book even further.

The book is not without merit, however. Analyses presented during the latter half of the book, and especially in Chapters 5 and 6, have solid research and methodological foundations and are presented in a more concise and effective manner, leading to useful conclusions on how the discourse employed by national parliamentary parties during the adoption of crisis measures impacts their ability to affect EU governance. The light narrative employed by the author combined with an innovative perspective on the issue and novel multidisciplinary approaches utilised make this book a useful and informative choice on the matter. Despite certain shortcomings, the author does inform the reader, further provoking them to think critically and reflect on relevant issues. The overall argument of the book, i.e. that national parliaments have not been as extensively marginalised as presented in a large portion of the relevant literature, with their discourse playing a particularly important role, touches, after all, on very important and sensitive issues, especially in light of the arguably existing crisis of democracy within the EU after the Eurozone crisis. While the strength of the argument could have been further enhanced in light of the above, the book does present a compelling case for a more critical viewpoint of the supposed extensive marginalisation of parliaments in the new economic governance framework of the EU.

## BIBLIOGRAPHICAL INFORMATION

Parliaments and the Economic Governance of the European Union: Talking Shops or Deliberative Bodies?

Author: Aleksandra Maatsch

Routledge, 2017

ISBN: 978-1-138-23003-3; £16.99 (paperback); 132 pages

# Book Review

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***EU SOCIO-ECONOMIC GOVERNANCE SINCE THE CRISIS. THE EUROPEAN SEMESTER IN THEORY AND PRACTICE***

***Editors: Jonathan Zeitlin and Amy Verdun***


# Abstract

In their book, Jonathan Zeitlin and Amy Verdun bring us closer to the topic of the European Semester, considered of maximum relevance by the academic community and policymakers, allowing us to understand better its complexity and importance within the European Union´s integration process.



# Keywords

European Semester; European Union; Crisis; Economic Governance; International Political Economy


The establishment of the European Semester, the governance architecture that provides support for the stability of the Eurozone, was the European Union's clear response to the last economic crisis. Created in 2010, it has undergone multiple changes in order to improve and to adapt better to the communitarian reality. Also, being a framework for the coordination of economic policies, and without transferring full sovereignty to the EU level, it became a part of the new EU economic governance model and a key element in the process of bringing together a number of distinct instruments with different legal bases.

In their book examining the EU's post-crisis governance of the socio-economic sphere, Zeitlin and Verdun and their contributing authors deliver an empirical and theoretical assessment of the scheme, bringing the readers closer to a matter of maximum relevance. That is to say, the monograph provides a set of tools to interpret better its elements, development and dynamics, as well as the role and the importance of involved actors, both national and international. The edited collection not only contributes new ideas to the debate but also offers criticism of the existing methods of action and their effects.

What is more, through its objectives, the present book highlights some under-researched elements, answering a series of key questions about the existence of a predominance of economic objectives over social aspects in the context of the European Union, the nature of EU socio-economic governance and the relationship between a top-down decision-making process and democratic accountability within the mentioned framework. In conclusion, it aims to contribute to the discussion about the European Semester and its importance, constituting a valuable addition to the field of research.

The book consists of seven chapters, each of which is written in an accessible fashion. The volume delivers a state-of-the-art review of the socio-economic sphere, delivering insights into various connected axes, including the supranational-intergovernmental and technocratic-democratic. Cumulatively, the chapters serve to provide a detailed and comprehensive understanding of the EU's governance of this area.

The evolution of the European Semester within communitarian governance, the role of the EU social and employment actors and the "flexicurity" in labour markets are the centre points of the two starting chapters. Zeitlin and Vanhercke, and Bekker draw conclusions about the progress of this new framework for policy coordination towards increasing the importance of its socialisation in reference to the process of configuration and the formulation of priorities.

Moving on, Maricut considers the reasons for the significance of asymmetry between the social and economic aspects as a result of the European Semester´s evolution, in conjunction with other factors such as treaty bases or the performance of the actor involved. Picking up on Maricut's consideration of actors, and through the lens of information-driven surveillance, Savage and Howarth explore the role of the European Commission and its capacity to impose sanctions on member states due to inefficiency or non-compliance. The fifth chapter reverses Savage and Howarth's actor-driven account, providing an insight into the Latvian case study through an analysis of this member state's relations with the European Commission during the 2008–2014 period. Furthermore, the author, Eihmanis, attempts to specify more general outcomes that can be extrapolated to EU economic governance as a whole.

Finally, the last two texts, developed separately by Hallerberg and Crum, highlight the role of the national and European parliaments in the above-mentioned governance architecture. To scrutinise their involvement in and capacity to influence the stability and reform programmes implemented on the national level, the authors argue about the institutional executive powers in the field in question, advocating for a multilevel relationship based on dialogue.

Given the enormous heterogeneity of the topic under investigation and wanting to understand better its different sensitivities, each piece receives its own theoretical perspective in order to comprehend the changes introduced by the European Semester and the subsequent advances in EU governance. Along these lines, deliberative intergovernmentalism, Europeanization or normative democratic theory are just some of the conceptual lenses the authors benefit from. In summary, the methodological and data-gathering approaches vary according to each contribution and its specific objectives.

Although the structure of this book hinders a global analysis of its content, it is important to stress two concrete contributions.

First is Sonja Bekker's chapter, where the author offers a very interesting insight into the significance of the flexicurity policy concept at the EU level, justifying its presence within the European Semester's configuration despite the implemented austerity measures and structural reforms: a novel approach to a forgotten concept. Moreover, in order to provide a comprehensive study, the political objectives for the 2007-2016 period and the countries' specific recommendations between 2009 and 2015 were studied. Analysing some of flexicurity's elements and its definitional changes, Bekker is concerned with how EU decision-makers have gradually paid more attention to the social aspects of flexicurity policies and its effects on the European Semester's activities, the key issue within the European Union, an aspect that has suffered some neglect over a number of years. The chapter is an example not only of the enormous topicality of the subject, but also of its importance with respect to the future development of the mechanism in question and its activity. In addition, it offers a way to comprehend the European Semester's greater democratisation and to find an appropriate balance between its social and economic goals, a pending task in the renewed European Union.

Second is Mark Hallberg's contribution detailing the findings on the role of national parliaments in the European Semester for economic policy coordination, based on original survey-based evidence. The author moves towards a closer look to a guarantee of effective democratic scrutiny of European legislation by national actors and its improvement by provisions introduced by the Lisbon Treaty. Based on a cross-country variation of the national actors' participation, Hallberg highlights the shortcomings of the established action model. On the other hand, he features the enhancement in the perception of the European Semester over the years, analysing the greater capacity of national parliaments (an example of their growing importance) to influence the process in question, although, he argues, they seem to focus more on the politically controversial aspects given their electoral purposes.

Overall, this is a well-edited book, covering a wide variety of issues with a single common denominator. Through its development, the authors give rise to a series of theoretical perspectives and empirical standpoints, as well as emphasising the different characteristics and elements considered crucial to the studied phenomenon, broadening the scope of comprehension in an original way and providing valuable guidance and research results.

The issues tackled may not be equally accessible to all, a novice reader, for instance, may miss a useful overall structure and topical guidance. Additionally, its price may mean it is not affordable for much of the target audience. Apart from the reservations set out here, the book can be defined as relevant both to graduate scholars, academics and policymakers who wish to deepen their knowledge about the new, post-crisis model of economic governance and its development within contemporary Europe.

### *Bibliographical Information*

EU Socio-Economic Governance since the Crisis. The European Semester in Theory and Practice

Authors: Jonathan Zeitlin and Amy Verdun

Routledge, 2018

ISBN: 978-1-138-49471-8; £115; 156 pages