

Cahiers du CEVIPOL Brussels Working Papers

5/2016

Issue on the EU Economic Governance

The 'new' EU governance: 'new' intergovernmentalism versus 'new' supranationalism plus 'new' parliamentarism

Vivien A. Schmidt

From one Semester to the next: towards the hybridization of new modes of governance in EU policy

Ramona Coman & Frederik Ponjaert

What 'Brussels' means by structural reforms

Amandine Crespy & Pierre Vanheuverzwijn



Centre d'étude de la vie politique (CEVIPOL)

Université libre de Bruxelles

Campus du Solbosch

Avenue Jeanne 44 – CP 124

1050 Bruxelles

T. +32(0)2 650 4039

Editrice/Editor: Amandine Crespy, acrespy@ulb.ac.be

Archives et consignes pour soumission/Archives and instructions:

<http://cevipol.ulb.ac.be/fr/cahiers-et-notes/les-cahiers-du-cevipol-brussels-working-papers>

The papers gathered here are part of the research output of the Horizon 2020 project **ENLIGHTEN** (European Legitimacy in Governing through Hard Times: the Role of European Networks)

Academic partners

Copenhagen business school.
Coordinating institution.
Principal Investigator: Len Seabrooke

Central European University of Budapest
Université libre de Bruxelles
Universiteit van Amsterdam

Non-academic partners

European Trade Union Confederation
Housing Europe
Tax justice Network

Team at Université libre de Bruxelles



Ramona Coman



Amandine Crespy



Frederik Ponjaert



Vivien Schmidt



Pierre Vanheuverzwijn



Horizon 2020 call: 'The future of European integration - 'More Europe – less Europe?'





Vivien A. Schmidt

The 'new' EU governance: 'new' intergovernmentalism versus 'new' supranationalism plus 'new' parliamentarism

1. Introduction	8
2. New Intergovernmentalism	9
3. New Supranationalism	11
4. Are the New Intergovernmentalism and New Supranationalism Reconcilable? ..	13
5. New versus Old Intergovernmentalism and Supranationalism	16
6. 'New' Parliamentarism.....	18
7. The Problems of the 'New' EU Governance	23
8. Conclusion.....	26
References.....	28

Ramona Coman & Frederik Ponjaert

From one Semester to the next: towards the hybridization of new modes of governance in EU policy

1. Introduction	36
2. Theories of integration revisited, data triangulation and case selection	38
2.1 The New Intergovernmentalism	39
2.2 The New Supranationalism.....	40
2.3 The New Parliamentarism.....	40
2.4 A Process of Hybridization as Working Hypothesis.....	41
2.5 Data Triangulation and theory bulduing methods.....	43
2.6 The European Semester.....	43
3. The relational dimension: Interactions among Council, Commission, European Parliament and Member States	44
3.1 The Relationship between the European Commission and the (European) Council.....	44
3.2 The Relationship between the Commission and Member States	47
3.3 The Relationship between the European Parliament and the Other Actors..	50
4. Conclusions	53
References.....	55




Amandine Crespy & Pierre Vanheuverzwijn

What 'Brussels' means by structural reforms	57
1. Introduction	62
2. Assessing ideational change in macro-economic governance.....	64
2.1 Legitimacy, policy ideas and time throughout the Eurocrisis	64
2.2 Methods.....	66
3. Structural reforms: the long history of an empty signifier	66
3.1 The origins of structural reforms and international organisations	66
3.2 Structural reforms in the Eurocrisis	68
4. The European Semester: towards ideational change?	70
4.1 The hard core and fuzzy contours of structural reforms	70
4.2 Towards a new policy strategy?	76
5. Discussion and conclusions	78
References.....	82
Appendix	85



The 'new' EU governance: 'new' intergovernmentalism versus 'new' supranationalism plus 'new' parliamentarism

Vivien A. Schmidt



Vivien A. Schmidt is Jean Monnet Professor of European Integration, Professor of International Relations and Political Science at Boston University, and Founding Director of BU's Center for the Study of Europe. Her research focuses on European political economy, institutions, democracy, and political theory. In the framework of ENLIGHTEN, she examines the transformation of governance in the EU and its implications for democratic legitimacy.



Abstract

Which EU actors are the main drivers of European integration? How do they pursue such integration? EU scholars are divided on the answers. The 'new' intergovernmentalists focus on political leaders' deliberations in the Council. The 'new' supranationalists concentrate on technical actors' policy design and enforcement in the Commission and other EU bodies. Both disagree with one another, as well as ignore 'new parliamentarists' concerned with the European Parliament. This paper argues that only by considering the actions and interactions of all three main actors together can we fully understand the 'new' EU governance and its problems. It also suggests that there is one major flaw in all such approaches: the central focus on EU governance ignores its effects on the national level, and the resulting problems for member-states' democracies. The paper therefore adds a discussion of the impact of EU integration on national democracy, and ends with recommendations for EU governance that take these problems into account, focused on reinforcing EU-level capacity for policy coordination along with greater national-level decentralization.

Résumé

Quels acteurs sont les moteurs de l'intégration européenne? Comment poursuivent leur objectif? Les spécialistes de l'Union européenne (UE) sont divisés sur les réponses à apporter à ces questions. Les 'nouveaux' intergouvernementalistes se focalisent sur les délibérations entre dirigeants politiques au sein du Conseil. Les 'nouveaux' supranationalistes se concentrent sur les politiques mises en œuvre par les acteurs techniques au sein de la Commission européenne et d'autres organes de l'UE. Les premiers et les seconds s'opposent donc, et ignorent les 'nouveaux' parlementaristes qui s'intéressent au rôle du Parlement européen. Ce papier montre qu'on ne peut comprendre la nouvelle gouvernance économique européenne qu'en considérant les interactions entre ces trois catégories d'acteurs. Il pointe également une faiblesse majeure de toutes ces approches: en se focalisant sur la gouvernance européenne, elles ignorent ses effets sur le niveau national et les problèmes affectant les démocraties des Etats-membres de l'Union. Ce papier offre dès lors une discussion de l'impact de l'intégration européenne sur les démocraties nationales et termine par des recommandations qui proposent de renforcer les capacités de coordination au niveau européen tout en permettant davantage de décentralisation au niveau national.




1. INTRODUCTION

Scholarly debates about ‘who drives European integration?’ or, more simply, ‘who is in charge?’ have changed significantly since the Maastricht Treaty in the early 1990s, in response to major shifts in EU governance itself. The traditional debates pitted the intergovernmentalists—who insisted that the member-states pursuing national and/or domestic interests were in charge—against the supranationalists—who maintained instead that EU supranational actors drove integration via institutional dynamics of spillover and entrepreneurialism. While this divide continues today, the main protagonists in the recent debates are the ‘new’ intergovernmentalists—who insist that the more actively engaged, consensus-seeking member-state governments in the (European) Council have retaken control—versus the ‘new’ supranationalists—who continue to view EU level institutional actors such as the Commission and the European Central Bank (ECB) as driving integration through their greater role in policy design and enforcement. The one view shared by both sides is that of the declining significance of the European Parliament and the co-decision mode of policy-making known as the ‘Community Method.’ For another set of analysts, whom we shall call the ‘new’ parliamentarists, this is a mistake.

The benefit of these debates is that the different sides lend major insights into the changing powers and responsibilities of ‘their’ EU actors vis-à-vis the other EU actors. The drawback is that they are naturally more focused on demonstrating the significance of a given EU actor than in shedding light on the overall picture. What they miss by assessing the institutional positions, ideas, and actions of any given EU actor, however, is how the interactions among all such EU actors, through their discussions, deliberations and contestations, together serve to drive European integration.

The main focus of this paper is on the ‘new’ ways in which scholars have explained contemporary EU governance—including ‘new’ intergovernmentalism, ‘new’ supranationalism, and ‘new’ parliamentarism. The paper seeks to demonstrate that the actions and interactions of these EU actors together make up the ‘new’ EU governance. The paper will also show that whatever the substantive differences among the proponents of different aspects of the ‘new’ EU governance, they share a common methodological approach. Almost all emphasize the importance of ideas and discursive interactions following a constructivist or discursive institutionalist logic, which is largely opposed to the more rationalist logic of the ‘traditional’ EU governance, focused on power and interests. Although largely applauding this methodology for its ability to get at the dynamics of interaction and innovation among EU actors, the paper suggests that it may be a mistake to largely disregard the significance of power and interests.




The paper will further argue that although the substantive analyses of the different elements that make up the new EU governance represent a major innovation, there is one central flaw in all such approaches: the almost exclusive focus on the EU level leaves out the effects on the national level. While EU governance may have developed a new normal in which all institutional players have gained differentially enhanced powers and responsibilities, national government has gone to a new abnormal. The very existence of EU governance, wherein decisions formerly taken at the national level have moved up to the EU level, can put pressure on national democracy and legitimacy—particularly in policy areas where citizens feel unable to influence EU decisions. Once one takes this into account, the direction for further reform may look very different from one in which we consider the EU level alone. Rather than only proposing deeper integration to make the new EU governance work better, we would do well to think simultaneously of new ways to decentralize and/or deconcentrate power and responsibility to the national level. The final section of this paper briefly sketches out some such ideas to build toward a new normal for national government while reinforcing the new normal for the future of EU governance.

2. NEW INTERGOVERNMENTALISM

Scholars who explain EU governance as characterized by the 'new intergovernmentalism' see the EU's member-state leaders in the European Council as much more legislatively active than in the past. They find that the member-states have taken on an unprecedented leadership role that they exercise through consensus-seeking deliberation and the creation of de novo regulatory bodies (Puetter 2012, 2014; Bickerton et al. 2015; Fabbrini 2015, 2016). This involves much more shared authority and joint control at the EU level than was considered possible in the 'traditional' intergovernmentalism, whether in the original 'realist' view—in which member-states' bargaining focused on protecting national sovereignty while building Europe (Hoffman 1966)—or the revisionist 'liberal' view—in which member-states' hard bargaining and brinkmanship served as a conduit for domestic socio-economic interests (Moravcsik 1993; see also Schimmelfennig 2015).


For the new intergovernmentalists, the mistake of the traditional intergovernmentalists has been to assume that the process is all about the pursuit of power, whether through interest-based bargaining in the Council or budget maximizing for the bureaucracy. Instead, new intergovernmentalists maintain that the decision-making process in the Council since the Maastricht Treaty of the early 1990s needs to be understood in terms of member-states seeking to arrive at consensual agreements through deliberation. In the Council in particular, they highlight the deliberative processes of negotiation that lead to agreements resulting from persuasion rather than power politics (Puetter 2014).



Thus, for example, new intergovernmentalists would reject out of hand the analysis by traditional liberal intergovernmentalists of the Eurozone crisis response of 2010 to 2012. The liberal intergovernmentalists see that response as a game of chicken in which the strong preference to avoid the break down of the euro area was combined with efforts to shift the costs to the weaker euro members most in trouble (Schimmelfennig 2015). Instead, new intergovernmentalists focus on the consensus-based agreements forged in the Council, in which all member-states bought into the story of excessive public debt and failure to follow the rules, pledged themselves to austerity, and agreed repeatedly to reinforce the rules of the SGP in exchange for loan bailouts or bailout mechanisms (Fabbrini 2013; see also Schmidt 2015).

Proponents of the new intergovernmentalism also argue that member-states' new activism has sidelined the 'traditional' supranationalism, in which bureaucratic entrepreneurialism and institutional creep had increasingly empowered the traditional supranational actors in the European Commission and the European Court of Justice (CJEU) (Sandholtz and Stone Sweet 1998; Stone Sweet, Sandholtz, and Fligstein 2001). More specifically, for example, they suggest that the Commission has been a 'bureau-shaping' administration focused on concentrating on high status tasks linked to core goals rather than on simply maximizing its bureaucratic powers and budgets—as in the old intergovernmentalist view. And rather than assuming that the Commission is intent on pushing 'ever closer union', as do the traditional supranationalists, they see it as much more circumspect in its ambitions, and more interested in better accomplishing its main tasks (Peterson 2015; see also Kassim et al., 2013).

The new intergovernmentalists contend, moreover, that the member-state governments in the Council, rather than legislating new powers for the Commission, instead deliberately created new EU bodies and instruments outside the main EU institutions in efforts to maintain control. Such efforts involved not only keeping the Commission out of those bodies but also putting the member-states qua member-states in, for instance by ensuring their representation on the governing boards. Examples of such de novo bodies include the world's most independent monetary authority, the ECB; new financial entities such as the temporary European Financial Stability Facility (EFSF) and the permanent European Stability Mechanism (ESM); new administrative bodies such as the European External Action Service (EEAS), the head of which sits in both the Council and the Commission; and a new President for the European Council. Moreover, the new intergovernmentalists find that these new bodies are also ambivalent about pursuing 'ever closer union,' and more focused on ensuring that they can accomplish their own specific core competences and fulfill their mandates, as in the case of the ECB (Hodson 2015).




Finally, the new intergovernmentalists also find a blurring of the lines between 'high' and 'low' politics, with the European Council often taking up day-to-day technical issues or conversely delegating far-reaching decisions to the Council of Ministers or senior expert committees (Bickerton et al., 2015). An example would be the Eurozone finance ministers negotiating with the Greek Finance Minister on resolving the third Greek crisis.

3. NEW SUPRANATIONALISM

Other scholars take a different view of the new developments in EU governance. They point to the emergence of a 'new' supranationalism in which the 'traditional' supranationalism of leadership by the technical actors in the Commission has indeed diminished, much as the new intergovernmentalists argue. But in exchange, these new supranationalists contend that the Council enabled all supranational technical actors—whether the Commission, the European Central Bank, or other *de novo* bodies—to gain even greater powers of enforcement than in the past, and this through the very rules passed by the more active (new) intergovernmental political leaders. Moreover, in an ironic twist, according to the new supranationalists, these selfsame technical actors have themselves developed and proposed to the intergovernmental political leaders the policy initiatives they themselves then enforce. Thus, in contrast to the traditional supranationalists, who emphasize technical actors' use of institutional rules and dynamics to push deeper European integration along with self-empowerment and interest (Niemann and Ioannou 2015), the 'new' supranationalists focus on such agents' ideas and institutional entrepreneurship to make European integration work better, whether or not this serves their specific power and interests (Bauer and Becker 2014; Dehousse 2015; Epstein and Rhodes 2016).

In the Eurozone crisis, for example, the new supranationalists have argued that the European Commission is 'the unexpected winner of the crisis' (Bauer and Becker (2014) and that supranational actors more generally—in particular the ECB as well as the Commission—have 'availed themselves of the discretionary powers with which they were formally or informally vested to adopt decisions that did not reflect the policy preferences of all national governments, notably those of Germany' (Dehousse 2015, p. 4). The European Semester, which was long prepared by the Commission in tandem with think tanks and expert consultants, has given the Commission unprecedented oversight authority and enforcement powers with regard to member-state governments' budgets (Bauer and Becker 2014; Schmidt 2015). Similarly, the Banking Union, prepared in consultation with experts and negotiated by the ECB, has given it




unprecedented supervisory authority and resolution powers over member-state banks (Dehousse 2015; Rhodes and Epstein 2016).

Along with this greater authority and responsibility, according to the new supranationalists, come both an unprecedented autonomy of action (especially the ECB) and discretion in applying the rules (in particular the Commission). The ECB's autonomy is apparent in the Eurozone crisis, as it progressively reinterpreted its mandate, going from a narrow view focused on inflation fighting and insisting that it could not be a lender of last resort (LOLR) to doing almost everything that a LOLR does. This started with 'non-standard' and then 'unorthodox' policies of buying member-state debt (despite the prohibition in the treaties) by doing it on the secondary markets, and going all the way through to quantitative easing in 2015 (Buiter and Rahbari 2012; Braun 2013). Similarly, in the European Semester, the Commission has exercised increasing flexibility in its interpretation of the rules over time, whether through derogations of the rules for individual member-states (e.g., France and Italy have twice been given extended time to bring their deficits under the target numbers) or recalibrating the calculations (e.g., for Spain on its structural deficit in 2013) (Schmidt 2016).

But why, we might ask, have the new intergovernmentalists overlooked or underplayed the rise of the new supranationalism? This may be because the 'new' supranational actors have often sought to dissimulate their newly enhanced powers and authority. In many cases they have exercised their new autonomy and discretionary authority 'by stealth,' that is, by not admitting in their communications with the public or in their coordination with political leaders that they have indeed been reinterpreting the rules (Schmidt 2015a, 2016).

For example, while the ECB has radically reinterpreted its mandate over time, it has sought to hide that reinterpretation 'in plain view' for fear of possible legal challenges and member-state complaints as well as to ensure its legitimacy in the eyes of the citizenry (Schmidt 2016). Thus, the ECB claimed over and over again that it was staying strictly within its mandate even as it moved from a narrow interpretation focused on maintaining its credibility to fight inflation and denying that it could be a lender of last resort (LOLR) to an increasingly loose interpretation, justifying this with a discourse focusing on ensuring stability in the medium term (Drudi et al. 2012) This enabled it to defend its decision to do 'whatever it takes' (in Draghi's famous words in July 2012) via OMT (Open Monetary Transactions) if needed, and ultimately to become an LOLR in almost all but the name through quantitative easing (QE).




In contrast with the ECB, the Commission remained between 'a rock and a hard place' in the context of the Euro crisis, and its discourse reflected this, as it sought to hide its increasingly flexible reinterpretation of the rules with a harsh public discourse of austerity and structural reform (Schmidt 2015a, 2016). The Commission found itself sandwiched between member-state leaders in the Council who insisted on applying the rules strictly—the Germans most prominently, but also the Finns and Dutch, who kept close tabs on Commission decisions, and held it to task in Eurogroup meetings on the European Semester—and the leaders of countries seeking greater flexibility. The latter included program countries undergoing Troika-based conditionality (Ireland, Portugal, and Greece), with stringent oversight and unprecedented intrusiveness in national social and labor market policies (Sapir et al. 2014; Theodoropoulou 2015), and non-program countries undergoing 'implicit' conditionality (Spain and Italy) (Sacchi 2015) or experiencing pressure from potential sanctions under the European Semester (France) (Hassenteufel and Palier 2015). The difference between program and non-program countries is that whereas the Commission has been able to exercise discretionary authority for non-program countries, and therefore to grant derogations, the Commission has no such leeway with program countries, in relation to which it sees itself as having to act as simply as the voice of the Eurozone ministers (Moscovici 2015).

4. ARE THE NEW INTERGOVERNMENTALISM AND NEW SUPRANATIONALISM RECONCILABLE?

Although these two 'new' accounts of EU governance take opposing views of who is in control, they may actually be reconcilable if one accepts that both intergovernmentalism and supranationalism have gained in importance as they have changed in substance. While new intergovernmentalism shows conclusively that the intergovernmental political leaders in the European Council have become much more active in initiating and deciding legislation, new supranationalism demonstrates equally persuasively that supranational technical actors have gained new competences that enable them to achieve their goals in new ways—whether they sit in the Commission or in de novo bodies

Significantly, new supranationalism does not deny that the political leaders in the European Council have become much more legislatively active, as argued by the new intergovernmentalists. Rather, the new supranationalists challenge the assumption that the technical actors have somehow been diminished as a result, arguing instead that they have gained new competences that enable them to achieve their goals in new ways. It is notable that new intergovernmentalists themselves acknowledge that the Commission has adjusted to the new political realities of integration while taking a pragmatic view of the new European agencies,




in particular because they were established in areas where the Commission's own powers were previously weak (Peterson 2015, pp. 186-7). Rather than feeling threatened by a loss of power, the Commission was generally a willing partner in such delegation, in particular when it enhanced its objectives and/or provided an additional means of rule-making, information and enforcement (Peterson 2015; Thatcher 2011, p. 802).

The new supranationalists, moreover, would not deny that supranational technical actors are no longer the drivers of integration, as in the pre-Maastricht era. But they see this as much less significant than supranational actors' major increases in powers more generally, that is, with all such supranational actors taken together, long-standing and newly created. Rather than separating out de novo bodies from the established actors of the 'traditional' supranationalism, most notably the Commission, new supranationalism puts them together in order to make the claim that all such actors together have gained much greater authority and exercise much greater responsibility than in the past. Thus, although it may very well be that 'new' intergovernmentalism originates in member-state governments' unwillingness to further empower the traditional supranational institutions, it is also the case that the increasing activism of the political leaders under new intergovernmentalism has created new treaties and legislation that give EU technical actors greater 'new' supranational powers of enforcement as well as discretion in enforcement—whether they are the traditional EU institutions or de novo ones.

Part of the problem with taking one side or the other in this debate about 'who leads European integration' or who is in charge' is not only that good arguments can be made for both sides. It is also that it is very hard to choose a side because the actors themselves are in constant interaction, whether it is supranational actors persuading intergovernmental actors to take action or intergovernmental actors threatening supranational ones in order to constrain their action. It is not just that the Commission or the ECB may supply the ideas that the Council then decides upon, which may result in greater enhancement of supranational actors' ability to act autonomously or with discretionary authority. It is also that the member-states—inside or outside the Council—may raise political objections or threaten legal action in order to constrain such actors' autonomous or discretionary action. And supranational actors are therefore careful to consider how the intergovernmental actors might respond to their initiatives, anticipating possible objections and/or consulting prior to action in order to gain preliminary agreement.


In the case of the ECB, for example, even as it exercised its authority autonomously with regard to its increasingly unorthodox monetary policies, ECB President Mario



Draghi cultivated his relations with political leaders in the Council, and most notably Chancellor Merkel. For Banking Union in particular, Draghi engaged over the course of a year in a 'charm offensive' with Chancellor Merkel, seeking to persuade her to agree to the Banking Union even as he sought to isolate the Bundesbank (Spiegel, (2014). But for all its independence, the ECB is also vulnerable to pressure on the inside and from the outside. From the outside is the constant concern about legal attack, for example, when the Bundesbank testified against the ECB in the German Constitutional Court on its reinterpretation of its mandate with regard to Open Monetary Transactions (OMT). From the inside, much like the new intergovernmentalists suggest, the ECB president has to engage in a constant internal process of negotiation and consensus-seeking among the ECB board member representatives of the different member-states. Such negotiation was difficult for ECB President Trichet until the resignation in protest of the two German members of the ECB governing board, Axel Weber in April 2011 (effective following his resignation as head of the Bundesbank) and Jürgen Stark in September 2011 (Matthijus 2015). The latter was replaced by the more pliable Jörg Asmussen, who also made life easier for Draghi when he was appointed; but things became more difficult again when Asmussen was replaced on the ECB by a less moderate German, Sabine Lautenschläger.

The Commission has had much less autonomy than the ECB, given an institutional role that places it at one and the same time as an independent executive—responsible for the initiation of legislation and acting as 'Guardian of the Treaties'—and as a subordinate bureaucracy—charged to 'execute' the decisions of the Council, as the ultimate political authority, and increasingly its co-decisions with the EP. This divided role is most apparent in the Eurozone crisis, where the Commission's oversight responsibilities in the European Semester give it a tremendous amount of rulemaking as well as discretionary authority—subject, however, to member-states' ability to amend most such decisions. An example of this is when the Council stopped the Commission's initiative to put the social indicators it had added to the European Semester on a par with the economic indicators, on the grounds that this would only add to the ways in which the Commission could cite them for violations—or even fine them. But the member-states in the Council were nonetheless "caught in their own rules," because they had themselves delegated to the Commission the authority to introduce new indicators (Savage 2016).

The Council's authority also ensures that the Commission is sensitive not only to how the Council as a body might react to its decisions but also how individual or groups of member-states may respond—which can often push in opposing directions. One instance of such pressure was French President Hollande's angry outburst against the Commission's 2013 European Semester recommendations on structural reforms of the French pension system on the grounds that: 'The Commission has no right to dictate




what we have to do' (Le Figaro, May 29, 2013). As one high level EU official noted, the Commission pulled back, having learned its lesson, explaining that 'Countries want to remain masters of their reform agenda, and don't want in any way to be subordinated to a Commission whose legitimacy in these matters is fragile at best' (cited in Quatremer 2016). But while the Commission has to pay attention to French and Southern European leaders pushing for growth and flexibility, it also has to deal with Northern Europeans demanding strict adherence to the rules. Northern European countries' increasing opposition to flexibility came to a head in 2014, with Germany and Finland making a frontal attack on the Commission in an eight page memo in which they claimed that the Commission used 'a somewhat arbitrary approach' in granting budget flexibility, and went so far as to suggest that 'a separate pair of eyes' was needed to ensure that the rules were properly applied (Financial Times 28 February, 2014).

Separating out new supranationalism from new intergovernmentalism is thus more complicated than one might think. Analytically, they can be dissected as distinct phenomena. Empirically, they are thoroughly intertwined and complementary. Moreover, in certain areas, it becomes very difficult to differentiate which is which. For example, in the area of Common Security and Defense Policy (CSDP), decisions taken at the EU level through consensus-oriented deliberation are intergovernmental in the sense that they involve national representatives (the ambassadors of the COPS and COREPER), but they are supranational in that they engage the member-states in a kind of cooperation that merges national security identity and action into a supranational one—thereby making for supranational intergovernmentalism—or is it intergovernmental supranationalism (Howorth 2014, Ch. 2)?

5. NEW VERSUS OLD INTERGOVERNMENTALISM AND SUPRANATIONALISM

Differentiating older approaches to intergovernmentalism or supranationalism from their newer incarnations appears on the surface an easier task than separating out new intergovernmentalism from new supranationalism. This is because traditional and new theories of integration split along methodological lines, as traditional approaches emphasize power and interests while newer approaches focus on ideas and deliberative interactions. But empirically, here too, drawing the lines is more difficult.

In the case of the Council, for example, how should we characterize the discussions behind closed doors in response to the political battles waged publicly by member-state leaders of Italy and France to shift the interpretation of the 'stability' rules to



growth (in 2012) and then to greater flexibility (in 2014)? Remember that PM Mario Monti in late 2011 started calling for growth, which was then taken up by François Hollande as presidential candidate in 2012, while PM Matteo Renzi beginning in 2014 pushed for increased flexibility in the interpretation of the stability rules, supported by President Hollande. These public communicative discourses were directed not only to the citizens but also to other EU leaders, and were accompanied by internal coordinative discourses that constituted political struggles over the rules-following agenda. The result was a change in member-state leaders' discourse in response to the call for growth in 2012, by adding 'growth' to stability. As for flexibility, German Chancellor Merkel agreed to flexibility in 2014 on condition that it remained 'within the stability rules.' But her Finance Minister Schäuble continued to complain that the Commission was overstepping its authority in granting derogations (as the Commission implemented Council commitments to growth and then flexibility). So would we characterize these interactions as new intergovernmentalist processes of deliberative consensus-seeking? Or could they be seen as traditional intergovernmentalist processes of bargaining, where the most powerful wins? Or somewhere in between?

If we were to accept the new intergovernmentalist argument that the Council acts as a consensus-seeking deliberative body, because member-state leaders did all first agree to the restrictive rules and after to the successive reinterpretations, we at the very least need to recognize that this is not a deliberation among equals. In any of the deliberations—or, better, contestations—going back to the beginning of the crisis, Germany held outsize power to pursue its own interests. That power was institutional—as German opposition to doing anything delayed any decision on Greece until the markets threatened the very existence of the euro; it was ideational—given German insistence on the reinforcement of the *ordo-liberal* rules of the Stability and Growth Pact; and it was coercive, resulting from Germany's political veto position in any agreement as a result of its economic weight as the strongest economy in Europe (see Carstensen and Schmidt 2016a, 2016b).

Although this exercise of multiple kinds of power—coercive, institutional, and ideational—was not akin to a 'dictatorship' by Germany (as some Southern Europeans have said), since deliberation continued and a consensus was achieved on reinforcing 'governing by rules and numbers' in exchange for loan bailout mechanisms, the best we can say is that the Council was a deliberative political body acting in the shadow of Germany (Schmidt 2015, p. 107). Notably, Fabbrini (2016) is the only new intergovernmentalist who takes account of power and interest, arguing that Council governance has moved from consensus-seeking to hierarchical domination, first by Germany with France, then by Germany alone. But in making this argument, rather than updating constructivist approaches to deal with power or turning back to the more power-focused, rationalist approach of traditional




supranationalism, Fabbrini uses a more historical institutionalist approach focused on the changes in institutional rules and regularities.

A major problem for the new intergovernmentalist approach in general, then, is that it has done little to theorize power in the context of constructivist deliberation. The very use of the terms deliberation and consensus-seeking seems to imply that member-states do not engage in the power relations and bargaining posited by the traditional intergovernmentalists. But without considering power in the processes of deliberation or, better, contestation, we can't explain why Germany's preferences won out, especially initially. That said, by only positing power and rationalist bargaining (as per the traditional intergovernmentalism), we can't explain why Germany conceded, over and over again, to things it had initially resisted, including new institutional instruments of Euro governance such as the ESM and banking union, and new guidelines for Euro governance such as growth and flexibility, pushed by France and Italy (Schmidt 2015; Carstensen and Schmidt 2016b).

New supranationalists, like the new intergovernmentalists and unlike the old supranationalists, are also mainly focused on the interactive processes of discursive deliberation in order to explain how technical actors were able to prevail even against the wishes of powerful Council political leaders. But here too, it would be useful to consider how the different kinds of power played a role in the consensus-seeking behavior. Here, institutional power to act even without approval from the alleged 'principles' could be shown to have enabled supranational agents to 'save the euro' in the case of the ECB or to reinterpret the rules more flexibly, if only 'by stealth,' in the case of the Commission. Ideational power, moreover, exercised through a persuasive discourse, could help also to explain how, despite the seemingly coercive power of Germany in the Council, the ECB was able to radically reinterpret its mandate 'in plain view' and the Commission to push through derogations to the rules for member-states in trouble even while insisting that it was applying harsh austerity and structural reform (Schmidt 2016; Carstensen and Schmidt 2016b).

6. 'NEW' PARLIAMENTARISM


The one substantive view that the intergovernmentalists and supranationalists, old and new, have in common is that they dismiss the role of the European Parliament, and see the co-decision process of the Community Method as the great loser in the shift to the new EU governance. But rather than focusing on the question of whether co-decision is no longer the sine qua non of processes of deeper integration, we would



do better to consider what may be afoot. In addition to what we might call the 'traditional' parliamentarism, in which the EP depends for influence on its role in the Community Method, a 'new' parliamentarism may very well be developing alongside the old, which operates through ideas and consensus-seeking outside the traditional circuits of influence. And even if such 'new' parliamentarism remains no match for the 'new' intergovernmentalism or the 'new' supranationalism, it nevertheless needs to be taken into account, in particular because the EP's relative influence has increased significantly in 'new' ways as well as old since the Maastricht Treaty (Hix and Hoyland 2013; Fasone 2014; Héritier et al. 2016). In fact, although the EP continues to have little coercive power in comparison to intergovernmental or supranational actors, it has wielded increasing institutional power, if only informally, by tactically using its legislative competences, as well as ideational power, in particular by becoming the 'go-to' body for legitimacy.

There can be no doubt that the Community Method—the co-decision process of decision-making—has been supplanted to some extent by the increase in intergovernmental and supranational policymaking in recent years, in particular in the Eurozone crisis. The new intergovernmentalists have argued that the increasing activism of the member-states in the European Council ever since the Maastricht Treaty has worked to the detriment of the Community Method, and in particular the role of the EP. They even see the tacit collaboration of the EP in undermining the Community Method, for example, by abandoning it so long as they increase their own importance via a more privileged role in inter-institutional negotiation (Reh et al., 2011; Bickerton et al., 2015). But even as this speaks to the weakening of the Community Method, it provides evidence for the 'new' parliamentarism, through the strengthening of the EP in new ways through negotiation with intergovernmental political actors. In such 'trilogues,' moreover, the EP had succeeded in drawing the Council into the political arena, since it can 'go public' as a means of influencing the course of trilogue negotiations—and asserting its identity as a normal legislator on a par with the Council (Roederer-Rynning and Greenwood, 2015). What is more, the Community Method has also been regaining importance in conjunction with the 'new' supranationalism. Not only has the Lisbon Treaty specified new powers of oversight for the EP in area such as economic governance in which it was previously absent (Fasone 2014; Héritier et al. 2016) but even the new competences approved by intergovernmental actors for both existing and de novo supranational actors led them to generate new legislation requiring EP approval through the Community Method.

The EP has gained increasing influence in decision-making in a range of ways, both formal and informal. Formally, the EP continues to be a major actor in most aspects of the EU's 'everyday policymaking' that most intergovernmentalists tend to devalue or




ignore when discussing EU governance. The exception is Fabbrini (2015), who sees the Single Market as part of a constitutional 'union' based on the Community Method, as opposed to the intergovernmental 'union' of Eurozone governance. The EP is involved in every aspect of Single Market legislation, often playing an important role, going from the highly technical areas that require specialized expertise to the public interest areas such as roaming charges for cell phones and tax equity in the 'luxileaks' affair.

Even in the case of Eurozone governance, a policy area in which the EP has been singularly devoid of competence (Fasone 2014; Crum 2015), it nevertheless had a role to play. That role came about in part as a result of the Lisbon Treaty, which gave the EP some powers of oversight as well as strengthened its powers to hold the executive accountable. Such accountability established the EP's right to be informed or occasionally consulted by the Commission on matters of multilateral economic surveillance; and it ensured the EP's ability to invite the Commission, national ministers, and the Presidents of the Council, the Eurogroup, and the European Council to an Economic Dialogue or Exchange of Views (Fasone 2014: 183f; Héritier et al. 2016, p. 80). Moreover, the EP was also called upon to legislate as part of the Community Method first with the 'Six Pack' and the 'Two Pack,' and then in the cases of Banking Union and the SSM, as it intermediated between supranational actors' legislative proposals and lobbies' pressures.

The EP has additionally managed to exercise increasing influence over policy in informal ways. Even in areas where the EP has very little formal power, such as in foreign policy, it has come in earlier and earlier in the negotiation of treaties in attempts to influence the Commission on policy, with the credible threat that if it is not informed of the process, it can veto the initiative or slow the process. This helps explain the EP's growing influence in the case of TTIP, where it weighed in early on a range of questions, pushing the Commission to act whether it liked it or not, in fear of later problems of ratification, such as in the investor-state-dispute-settlement (ISDS) mechanism (Conceição-Heldt 2016). Such blocking or delaying tactics work especially well if the matter is urgent, with the higher the urgency, the more the leverage (Héritier et al. 2016).

But the EP's ability to block initiatives can work to its advantage even in matters that may not be so urgent. For example, in the case of the SSM giving the ECB surveillance of banks, the EP blocked the decision-making process with both the Commission and the ECB until the ECB conceded rights of information to the EP. Moreover, in the case of Banking Union, the EP managed to invent its own right to hold hearings for appointments to head new boards, mainly because the Commission and the ECB felt they could not say no to this. Although the new 'rule' is totally informal, decision-




makers now would not consider going for a candidate EP finds unacceptable (Héritier et al. 2016).

While such action could be seen as motivated by the EP's concern for the common good, it could just as readily be seen as motivated by the EP's push to increase its own institutional power through institutional turf wars, for example, when raising questions over transparency and the dispute settlement mechanism of TTIP (Novotna 2016). That said, while the EP's actions may in some cases seem like a grab for more institutional power, in particular from the viewpoint of intergovernmental or supranational actors, it could equally be explained in terms of EP's commitment to the idea that intergovernmental initiatives should be converted wherever possible into the more 'constitutional' approach represented by the co-decisions of the Community Method. This is why the EP was in many instances willing to trade its preferences with regard to substantive policy for the institutionalization of a more co-decisional process, as in the case of EP (often failed) amendments to the Six-Pack and the Two-Pack as well as its (failed) efforts to influence the Fiscal Compact (Héritier et al. 2016, p 69).

But however informally influential the EP may have become in the Eurozone crisis, there can be no question that the EP remains largely sidelined in negotiations on treaties and bailout agreements, in particular any time commitments of national budgetary resources are involved. In the case of the third Greek bailout in spring/summer 2015, for example, Commissioner Pierre Moscovici, head of DG ECFIN, noted that the EP was "the great absentee" in the discussion, and then asked "to whom should it have turned? To the Commission in its capacity as negotiator? To the president of the Eurogroup, who is not answerable to it? To the IMF, which is even less answerable to it? Or to the European Stability Mechanism, which is a purely intergovernmental organization?" He then added, 'how much weight did the European Parliament carry in the Greek crisis by comparison with the German Bundestag or the Finnish Eduskunta?' (Moscovici 2015, p. 2).

Be this as it may, even where the EP is completely left out of the decision-making process, it can still play a role, having increasingly become the 'go-to' body for other EU actors concerned about their political legitimacy. There is evidence to suggest that the EP's formal and informal powers in legislation, comitology, Commission investiture, budget, economic governance, and international agreements have increased at least in part because of member-state and Commission concern for democratic legitimacy (Héritier et al. 2016). Notably, Moscovici, after lamenting the EP's lack of involvement in the Greek negotiations, said that he intended to expand the EP's role in Eurozone governance in order to enhance the legitimacy of Commission decisions in the European Semester (Moscovici 2015, p. 3). In the case of




the ECB, moreover, although the ECB President does not have to follow the EP's advice in his mandated four yearly appearances, he gains in procedural legitimacy by speaking to the EP—plus he can use this venue as part of his communicative strategy with the public more generally. It is in this light that we can understand Draghi's (November 12, 2015) introductory remarks to the EP Committee on Economic and Monetary Affairs: "The ECB's accountability to you, the European Parliament, is a central counterpart to the ECB's independence. And transparency is a precondition for your holding us to account." Even EU leaders in the Council have begun seeing the EP as a source of legitimacy—most notably on October 7, 2015, when Chancellor Merkel and President Hollande came together to speak to the European Parliament on the refugee crisis, the first time that the leaders of the two leading countries came to the EP since 1989.

More generally, we also need to take note of the EP's growing exercise of voice, with increasingly noisy demands for accountability from both supranational and intergovernmental actors. The EP has enhanced its exercise of oversight over these actors not only through the increasing numbers of hearings and expert testimony but also in its committee reports—all of which are focusing on enhancing both EU institutional accountability and transparency. In the Eurozone crisis, these have explicitly criticized Council and Commission actions, whether for the Troika's "lack of appropriate scrutiny and democratic accountability as a whole" or for the Eurogroup's "failing to give clear and consistent political pointers to the Commission and for failing to shoulder their share of responsibility in their capacity as final decision-taker" (Euractiv, March 14, 2014).

Finally, equally important has been the EP's self-empowerment through the 'Spitzenkandidat' in the 2014 EP elections, as the EP effectively anointed the leader of the winning political party Commission President. This could be conceived as having increased the EP's own powers at the expense of European Council autonomy, but also in favor of Commission autonomy through its now double accountability to the EP and the Council. The fact that the Commission has been calling itself 'political'—although not 'politicized,' in response to Council accusations of not applying the rules—suggests that the Commission is fully aware of the value of its connection to the EP, and may be seeking to rebuild its traditional supranational powers as it continues to develop its new supranationalism along with its political legitimacy.

But be careful what you wish for. The increasing politicization of the EP has its downside, with the growing presence of the political extremes in the chamber. With approximately a fifth of the EP controlled by the extremes, the thinning center has had to form the equivalent of a 'grand coalition' to ensure the necessary super-majorities




for the passage of important legislation. For the moment, extremist groups have little power in the EP, since they have no control over major committees, and use the EP more for their own electoral purposes than to try to exert influence. But this could change, in particular if the EU is not able to solve its three major crises—of the euro, borders, and security—any time soon.

7. THE PROBLEMS OF THE 'NEW' EU GOVERNANCE

If we are indeed seeing the rise of a new intergovernmentalism, a new supranationalism, and a new parliamentarism, then it may very well be that the institutional balance, after an initial tilt toward the intergovernmental and then the supranational, may be rebalancing itself. The new EU governance may very well be one in which each institutional actor has gained in EU-level competences even as their interrelationships have been recalibrated in view of the changes in practices. The intergovernmental actors, including the European Council and the Council, are more active in exercising leadership; the supranational actors, including the ECB and the Commission, are more active in suggesting legislation for intergovernmental exercise of leadership and more powerful in enforcing it; and the parliamentary actors, mainly the EP, are more active in exercising oversight and political correctives to intergovernmental and supranational actors. Equally importantly, all the actors are more interactive. This suggests that rather than focusing mainly on who is more in charge or in control, we do better to ask what are the dynamics of interaction among the different institutional actors, and the ways in which the different actors exert power, whether as a result of their compulsory dominance (Germany in particular), their institutional position (the Commission or ECB), or their ideational and discursive influence (the EP).

But while EU governance may have developed a 'new' normal in which all institutional players have gained differentially enhanced powers and responsibilities, problems remain. In intergovernmental decision-making, the Council suffers from the unanimity rule for treaties, which makes it hard to forge consensus and even more difficult to alter existing treaties. It also means that lowest-common-denominator agreements are most likely where the issues are most challenging (Scharpf 1999). In supranational decision-making, the Commission and the ECB are hemmed in by the sub-optimal treaties and rules agreed upon by the Council, with insufficient flexibility or discretion to take the steps needed to make the policies work as they should. (For example, it took the ECB six years to engage in the quantitative easing that the Fed and the Bank of England had pursued immediately; it took the Commission five years and a new leadership to insist on its discretionary flexibility.) And in parliamentary decision-




making, the EP lacks the institutional power to balance out the other institutions as well as the adequate representativeness in order to be seen as fully politically legitimate.

Even more problematic for the EU today is that even as all EU level institutions have been strengthened through the 'new' EU governance, national-level government has weakened, and along with it national democracy and legitimacy. As decision-making in policy area after policy area has moved up to the EU level, European integration has increasingly encroached on issues at the very heart of national sovereignty and identity, including money, borders, and security. The problem, however, is not so much that EU policies have encroached on national ones, but that citizens have had little direct say over these matters, let alone been engaged in EU-wide political debates about the policies.

National parliaments—as the representatives of the citizens—have also been increasingly marginalized, in particular in Eurozone governance. In the European Semester, for example, the timing is such that national executives for the most part show their budgetary plans to the Commission before they submit them to their national parliaments. Additionally, national parliamentary committees set up to exercise oversight over the executive's negotiations for the most part have little input, whether for reasons of timing, lack of expertise, or lack of access to information—although there are differences among member-state parliaments regarding their formal powers as well as their access and impact (Crum 2015).

The fragmented nature of European 'democracy' has meant that while the policies are decided at the EU level, generally in an apolitical or technocratic manner, politics remains national. National democracies as a result have increasingly become the domain of 'politics without policy,' whereas the EU level appears as 'policy without politics'—however 'political' (or politically charged) the policies may actually be (Schmidt 2006). Despite the fact that EU-level debates are becoming more politicized, whether in the Council among member-state leaders or in the EP among the different political parties, they are still a far cry from the contentious left-right debates at the national level. And as national citizens have had less and less direct influence over the policies that affect them the most, they have expressed their political concerns with the situation at the only level at which they are able: the national.

Citizens have increasingly made their displeasure heard through protests and the ballot box, leading to the rise of the populist extremes, with Euroskeptic and anti-EU messages, and the increasing turnover of sitting governments. National governments ruled by mainstream parties, moreover, have found themselves caught more and




more between wanting to be responsive to citizens' electoral expectations and needing to take responsibility for the EU's collectively-made rules and decisions (Mair 2013). As a result, national governments confront dual challenges: from populism at the national level and from technocracy at the EU level.

Once one takes into account the impact of the EU on national democracy, the direction for further reform of EU governance may look very different from one in which we were to consider the EU level alone. Rather than only proposing deeper integration to make the new EU governance work better, we would do well simultaneously to think of new ways to enhance legitimacy. This means not only that the EU needs more effective performance—by solving the major challenges centered around the EU's many crises, including not only the Eurozone crisis but also the refugee crisis, and the security crisis—and better procedural quality—by being more accountable, open, and inclusive. It also needs greater citizen participation and representation (Schmidt 2013). And this may require not just better EU level governance but also a renationalization—or better, decentralization—of competences now held at the EU level. This is particularly the case for Eurozone governance, which has deepened in ways that make for greater hierarchical, top-down policymaking.

At the EU level, greater citizen participation and representation could mean more open debates within and between the Council and the EP, to ensure a greater democratic politicization of the European public sphere. This has actually increasingly developed during the Eurozone crisis, as intergovernmental political leaders in the Council have defended or contested the stability policies (e.g., Schäuble for stability, Renzi for flexibility). For the EP, a greater presence depends upon whether it manages to increase its own political legitimacy in future elections, with greater EU citizen awareness of and participation in the elections.

But given the fact that politics will remain focused at the national level for many years to come, a range of added measures could be necessary to give citizens a sense that they have a say. National parliaments would need to be better integrated into the policymaking process, way beyond the yearly EP-national parliament meetings established in the Lisbon Treaty. More direct citizen access is also necessary, not just by reforming the ineffective petition-based European Citizens' Initiative but also through better openings to public interest groups via pluralist processes. Moreover, greater decentralization of policymaking power and responsibility—in and beyond Eurozone governance—could additionally help ensure greater direct involvement for the social partners and citizen groups (Schmidt 2015). Only by bringing the people into governance processes at the EU and national levels, while countering technocratic beliefs in the benefits of top-down hierarchy, can EU governance become more




effective and legitimate while enabling its member-state governments to respond better to the sirens of populism.

8. CONCLUSION

EU experts have long disagreed over which mode of governance and, as a corollary, which EU institutional actor is and has been most important to the development of the EU. The main continuing divide has been between scholars convinced that the intergovernmental decision-making of political actors in the Council is the primary force in EU governance versus those more convinced of the importance of supranational decision making by the Commission and other technical actors. Scholars also disagree over what motivates EU actors and/or what defines their decision-making. And here, the divide is temporal. Whereas traditionally, most analysts portrayed EU actors—both intergovernmental and supranational—as primarily focused on enhancing their own power and interests in efforts to gain or maintain control of the EU integration process, in recent years many on both sides see EU actors as more focused on seeking compromise and consensus through processes of deliberation and persuasion than on furthering their own power and interests alone. Both intergovernmentalists and supranationalists, whether more traditionally concerned with power and interests or newly focused on consensus and deliberation, have largely dismissed the EP. But the EP also has its scholars who point to its increasing importance, whether traditional ones focused on the Community Method or more recent ones concerned with the newer ways in which the EP has become more central to decision-making.

This paper has argued that in the EU, no one account focused on any one institutional actor and decision-making process can explain EU governance. It suggests instead that what we are actually seeing is an increasing empowerment of all EU institutional actors with an increasingly complex set of interactions in which the 'new' EU governance is about consensus-seeking deliberation as well as contestation, in which power and interests remain important factors. The one major problem is that as the EU has arrived at what we could call a 'new' institutional settlement, in which all institutional players have gained differentially enhanced authority and responsibilities, national democracies have become 'unsettled' because the locus of power and interest as well as the seat of consensus and deliberation has moved up the EU level.

How would we depict the consequences of such 'new' governance for the architecture of the EU? Not as any were some kind of 'federal super-state' in a multi-



level Europe. The member-state governments continue to sit squashed all together in the driver's seat of the double-decker bus, with one collective, consensus-bound foot on the gas pedal, regulating the speed, the other multi-ped foot ready to apply the brakes. But the engine itself continues to run reasonably smoothly nonetheless—even if sub-optimally—as supranational EU actors pump the gas through the system even when the intergovernmental actors fail to press the pedal, and ensure that the brakes don't lock even when the intergovernmental actors apply them indiscriminately. Who is holding the steering wheel is the question. Many hands, none of which has full control—although Germany may have the heaviest hand of all.

So it is only with great effort, and agreement of all the actors, that the steering wheel can be turned in a new direction, say, onto a new highway. This is why it is easier to reinforce the rules rather than invent new ones. But there are shifts, as in the reinterpretation of the rules 'by stealth.' However, these are generally incremental, with moves onto byways rather than any sharp left or right turns, let alone U-turns, even when the rules don't work. The main danger is that member-states' citizens find themselves at the top deck of the bus, along for the ride but as far it is possible from the steering wheel, unsure who is in charge or in control, and increasingly unhappy about the direction.



References

- Bauer Michael and Becker Stephan (2014) 'The unexpected winner of the crisis: The European Commission's strengthened role in economic governance', *Journal of European Integration* 36: 3, 213-229
- Bickerton, Christopher J., Dermot Hodson, and Uwe Puetter, eds. (2015) *The New Intergovernmentalism* Oxford: Oxford University Press
- Braun, Benjamin (2013) 'Preparedness, Crisis Management and Policy Change: The Euro Area at the Critical Juncture of 2008-2013', *British Journal of Political and International Relations*
- Buiter, W. and Rahbari, E. (2012) 'The European Central Bank as Lender of Last Resort for Sovereigns in the Eurozone', *Journal of Common Market Studies Annual Review* 50, 6-35.
- Carstensen, Martin B. and Vivien A. Schmidt (2016a) 'Power through, over and in ideas: Conceptualizing ideational power in discursive institutionalism', *Journal of European Public Policy*, forthcoming
- Carstensen, Martin B. and Vivien A. Schmidt (2016b), 'Power and Changing EU Modes of Governance in the Eurozone Crisis'. Paper prepared for presentation in the WP1 ENLIGHTEN-workshop, Bruxelles, May 30-31, 2016.
- Crum, Ben (2015) 'Depoliticisation versus Accountability: What Role for Parliaments in post-crisis EU Economic Governance?' Paper presented at the ACCESS EUROPE Workshop on 'Socio-Economic Governance in the EU since the Crisis: The European Semester in Theory and Practice' (Amsterdam 11-12 December).
- Da Conceição-Heldt, Eugénia (2016) 'Exploring the Paradox of Increasing Transparency in TTIP Negotiations'. Paper presented at the Council for European Studies 23rd International Conference for Europeanists, Philadelphia, April 14-16.
- Dehousse, Renaud (2015) 'The New Supranationalism'. Paper prepared for presentation at the Council for European Studies Annual Meetings (Paris, July 8-10)
- Dermot Hodson (2015) 'De Novo Bodies and the New Intergovernmentalism: The Case of the European Central Bank' in Christopher Bickerton, Dermot Hodson, and Uwe Puetter, eds., *The New Intergovernmentalism* Oxford: Oxford University Press.
- Drudi, F., Durré, A. and Mogelli, F. P. (2012) 'The Interplay of Economic Reforms and Monetary Policy: The Case of the Eurozone', *Journal of Common Market Studies* 50:6, 881-898.
- Epstein, Rachel A. and Martin Rhodes (2016) 'The political dynamics behind Europe's new banking union', *West European Politics* 39 (3): 415-437
- Fabbrini Sergio (2015) *Which European Union* Cambridge: Cambridge University Press



Fabbrini Sergio (2016) 'From Consensus to Domination: The Intergovernmental Union in a Crisis Situation', *Journal of European Integration* (forthcoming).

Fasone, Cristina (2014) 'European Economic Governance and Parliamentary Representation. What Place for the European Parliament'? *European Law Journal* 20: 2, 164-185.

Hassenteufel, Patrick and Palier, Bruno (2015) 'Still the sound of silence? Towards a New Phase in the Europeanisation of welfare state policies in France', *Comparative European Politics* vol. 13, no. 1: 112-130

Héritier, Adrienne, Catherine Moury, Magnus G. Schoeller, Katharina L. Meissner, Isabel Mota (2016) 'The European Parliament as a Driving Force of Constitutionalisation'. Report for the Constitutional Affairs Committee of the European Parliament. PE 536.467 <http://www.europarl.europa.eu/committees/en/supporting-analyses-search.html>

Hix, Simon and Høyland, Bjørn (2013) 'Empowerment of the European Parliament', *Annual Review of Political Science* vol. 16: 171-89

Hoffmann, Stanley (1966) 'Obstinate or Obsolete? The Fate of the Nation State and the Case of Western Europe', *Daedalus*, 95, 892-90

Howorth, Jolyon (2014) *Security and Defence Policy in the European Union*, 2nd edition. London: Palgrave

Ioannou, Demosthenes, Patrick Leblond and Arne Niemann (2015) 'European integration and the crisis: Practice and theory', *Journal of European Public Policy* 22 (2): 155-176.

Kassim, H., J. Peterson, M.W. Bauer, S. Connolly, R. Dehousse, L. Hooghe, and A. Thompson (2013) *The European Commission of the twenty-first century*. Oxford: Oxford University Press.

Mair, Peter (2013) *Ruling the Void: The Hollowing of Western Democracy* London: Verso

Moravcsik, A. (1993) 'Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach', *Journal of Common Market Studies*, 31 (4), 611-28

Moscovici, Pierre (2015) 'After the Greek Psychodrama, What Improvements for the EU'? Speech at a conference organised by the Jacques Delors Institute and the MACIF, Paris, Sept. 30, 2015.

Novotna, Tereza (2016) 'EU View: Four Reasons Why TTIP may Fail and Why it will be Europe's Fault', *LSE Ideas Dahrndorf Forum-Debating Europe Special Report SR022* (May).

- 
- Peterson, John (2015) 'The Commission and the New Intergovernmentalism: Calm within the Storm'? in Christopher Bickerton, Dermot Hodson, and Uwe Puetter, eds. *The New Intergovernmentalism* Oxford: Oxford University Press, p. 186.
- Puetter, Uwe (2012) 'Europe's deliberative intergovernmentalism - the role of the Council and European Council in EU economic governance', *Journal of European Public Policy*, No. 19, Vol. 2, pp.161-178
- Puetter, Uwe (2014) *The European Council and the Council: New Intergovernmentalism and Institutional Change*. Oxford: Oxford University Press
- Quatremer, Jean (2016) *Liberation* 12 June <http://www.liberation.fr/auteur/1876-jean-quatremere>
- Reh C., Héritier, A., Bressanelli, E. and Koop C., (2011) 'The Informal Politics of Legislation: Explaining Secluded Decision Making in the European Union', *Comparative Political Studies*, Vol. 46, No. 9, pp. 1112-1142
- Roederer-Rynning, C & Greenwood, J (2015) 'The culture of trilogues', *Journal of European Public Policy*, DOI: 10.1080/13501763.2014.992934
- Sacchi, Stefano (2015) 'Conditionality by Other Means: EU Involvement in Italy's Structural Reforms in the Sovereign Debt Crisis', *Comparative European Politics* vol. 13, no. 1: 77-92
- Sandholtz, W., and Stone Sweet, A. (eds.) (1998) *European integration and supranational governance* Oxford: Oxford University Press
- Sapir, André, Wolff, Guntram, de Sousa, Carlos, and Terzi, Alessio (2014) 'The Troika and Financial Assistance in the Euro Area: Successes and Failures'. Study for the Economic and Monetary Affairs Committee of the European Parliament. PE 497.764 [http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-ECON_ET\(2014\)497764](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-ECON_ET(2014)497764)
- Savage, James (2016) "Enforcing the European Semester: The Politics of Asymmetric Information in the Excessive Deficit and Macroeconomic Imbalance Procedures." Paper prepared for presentation to the Council for European Studies Conference (Philadelphia, April 14-16, 2016)
- Scharpf, Fritz W. (1999). *Governing in Europe*. Oxford: Oxford University Press
- Schimmelfennig, Frank (2015) 'Liberal intergovernmentalism and the euro area crisis', *Journal of European Public Policy* 22 (2): 177-195.
- Schmidt, Vivien A. (2006) *Democracy in Europe* Oxford: Oxford University Press
- Schmidt, Vivien A. (2013) 'Democracy and Legitimacy in the European Union Revisited: Input, Output and 'Throughput'', *Political Studies* 61:1, 2-22



Schmidt, Vivien A. (2015a) 'Forgotten Democratic Legitimacy: "Governing by the Rules" and "Ruling by the Numbers"', in Matthias Matthijs and Mark Blyth (eds.) *The Future of the Euro*, Oxford: Oxford University Press.

Schmidt, Vivien A. (2015b) 'Changing the policies, politics, and processes of the Eurozone in crisis: Will this time be different'?, in *Social Developments in the EU 2015* eds., David Natali and Bart Vanhercke. Brussels: European Social Observatory (OSE) and European Trade Union Institute (ETUI) <http://www.etui.org/Publications2/Books/Social-policy-in-the-European-Union-state-of-play-2015>

Schmidt, Vivien A. (2016) 'Reinterpreting the Rules "by Stealth" in Times of Crisis', *West European Politics* (forthcoming).

Spiegel, Peter (2014) 'If the Euro Falls, Europe Falls', *Financial Times*, (May 14, 15, 17)

Stone Sweet, A., Sandholtz, W. and Fligstein, N. (eds.) (2001) *The institutionalization of Europe* Oxford: Oxford University Press


Thatcher, Mark (2011) "The Creation of European Regulatory Agencies and its Limits: A Comparative Analysis of European Delegation," *Journal of European Public Policy* 18 (6): 790-809.

Theodoropoulou, Sotiria (2015) "National social and labour market policy reforms in the shadow of EU bail-out conditionality: The cases of Greece and Portugal," *Comparative European Politics* vol. 13, no. 1: 29-55



From one Semester to the next:
towards the hybridization of new
modes of governance in EU policy

Ramona Coman & Frederik Ponjaert



Ramona Coman is Lecturer in political science at the Université libre de Bruxelles and the Director of the Institute for European Studies (IEE). In the framework of the Horizon 2020 project "ENLIGHTEN" her research deals with the institutionalisation of the European Semester and the impact of the Eurozone crisis on EU's modes of governance.

Frederik Ponjaert is researcher in International Relations and European Studies at the Institute for European Studies (IEE). He is the Director of the Waseda's University Desk of the Université libre de Bruxelles. In the framework of the H2020 ENLIGHTEN project he focuses on the transformation of EU's modes of governance.



Abstract

Since its inception in 2010, the European Semester has undergone a series of institutional clarifications and procedural adjustments aimed at strengthening its legitimacy. Over its first 5 iterations it has significantly reshaped the roles, attributions and relations between the EU's institutions, thus echoing several scholars' contention that the old dynamics of integration have been replaced by new ones: the new supranationalism, the new intergovernmentalism and the new parliamentarism. Depending on the theoretical perspective embraced existing schools of thought draw these changes within the institutional dynamics of the EU in contrasting colors. Where new intergovernmentalists see new modes of governance such as the Semester attest to an increase in power of the Member States, the promoters of the new supranationalism observe a continued empowerment of supranational institutions, whereas new parliamentarism emphasize the mounting importance of parliamentary prerogatives. The aim of this article is to go beyond such stark dichotomies by arguing in favor of a dynamic process of hybridization. Put differently, the article challenges the view that the new modes of governance born from the Eurozone crisis have empowered one institution to the detriment of the others. We rather argue that the European Semester combines elements of the longer-term evolutions identified by these three schools, thus giving rise to a new institutional equilibrium.

Résumé

Depuis sa création en 2010, le Semestre européen a fait l'objet d'un certain nombre de changements afin de consolider sa légitimité. A travers ses cinq itérations, cet instrument de coordination de politiques macroéconomiques a redéfini les rôles et les attributions des institutions ainsi que leurs relations. Dans le contexte de la crise de la zone Euro, de nombreux chercheurs ont affirmé que les anciennes dynamiques de l'intégration européenne ont été fondamentalement transformées et fait émerger de nouveaux modes de gouvernance : le nouveau supranationalisme, le nouvel intergouvernementalisme et le nouveau parlementarisme. En fonction de la perspective théorique adoptée, les chercheurs décrivent l'évolution de ces dynamiques institutionnelles dans des couleurs contrastées. Pour les promoteurs du nouvel intergouvernementalisme, le Semestre européen a consolidé le pouvoir des Etats ; les partisans du nouveau supranationalisme observent un renforcement du pouvoir des institutions supranationales alors que le nouveau parlementarisme met en exergue l'importance croissante des prérogatives parlementaires. L'objectif de cet article est de dépasser ce débat dichotomique et de proposer une lecture dynamique des évolutions institutionnelles du Semestre européen. L'article conteste l'hypothèse selon laquelle la crise de la zone Euro a consolidé le pouvoir d'une institution au détriment des autres. L'argument principal de cette étude met en exergue un processus d'hybridation à l'œuvre dans le cadre du Semestre européen, où les éléments



théorisés par ces trois nouvelles écoles de pensée coexistent et font émerger un nouvel équilibre.




1. INTRODUCTION

The Eurozone crisis brought into stark contrast the importance of macro-economic policy coordination and altered the relations between economic, social and budgetary policies within the Union's macro-economic coordination mechanisms. This in turn has led to a debate on a possible reconfiguration of the EU's modes of governance. Nearly immediately after the so-called Eurozone crisis erupted in Greece, EU leaders responded to this major concern by establishing the European Semester. This new instrument born from the fast-burning crisis that followed the 2010 Eurozone crisis changed the forces at work within and between each of the EU's established modes of governance ranging from the supranational Community Method to intergovernmental supervision mechanisms of the European Stability and Growth Pact (ESGP), by way of softer forms of coordination such as the Open Method of Coordination (OMC). How did a new mode of governance such as the European Semester affect the balance of power between EU institutions? Where does the power lie and who governs the European Semester's recurring cycles of policy coordination? By addressing these questions, the overarching aim of this article is to elucidate how the EU governance architecture has been transformed in so far as crisis-born instruments have altered the relationships between its institutions.

As a newly created policy instrument forged in the aftermath of the debt crisis, the European Semester is an ideal case study for the purpose of this research. This new policy tool was to allow Member States to more effectively coordinate their budgetary and fiscal policies. Since its launch in 2011, after five iterations, this cyclical exercise in policy coordination has undergone significant adjustments. Through incremental changes, the European Semester has come to reshape the roles, attributions and relations between the EU's major institutional actors. Considering that the European Semester has given the EU institutions a more visible and intrusive role than ever before in scrutinizing and guiding national economic, fiscal, and social policies (Costamagna 2013; Chalmers 2012), it perfectly encapsulates both the most recent imperatives born from the incomplete process of European integration as well as the enduring challenges facing the EU's established modes of governance. If the overarching aim of this article is to observe and explain changes in the EU's modes of governance, the empirical aim is to gather a better understanding of how the European Semester was conceived, which process and practices shape the interactions between its main players and how they exert influence in determining policy outcomes.

Over the past two decades, several scholars have argued that traditional integration mechanisms associated either with the Common Market and its Community Method or with the Council and its intergovernmental decision-making have come under increased pressure as the EU struggled with a seemingly structural slow-burning governance crisis. Recent theorizations in European Studies - which aim to describe and explain new trends in the integration process - depict the institutional architecture born from the crisis in contrasting colors. Various strands of the literature have posed




the fast-burning crisis as a catalyst making either new supranationalism, new intergovernmentalism or new parliamentarism the defining characteristic of present-day integration and its associated modes of governance. Where new intergovernmentalists observe an increase in the power of Member States (Bickerton, Hodson, and Puetter, 2015), the advocates of a new supranationalism attest to the continued empowerment of supranational institutions (Dehousse, 2015); while others stress a broader process of constitutionalization (Adams, Fabbrini, Larouche, 2015) which favors the emergence of European public spheres (Risse, 2015) and thus a possible development or even renewal of European parliamentarism (Schmidt, 2015).

The new intergovernmentalists see the Maastricht Treaty as a critical juncture leading to a relative hollowing out of the Community Method's centrality and the Commission's right of initiative as the intergovernmental politics of the Council and its constituent Member States asserted a greater pre-eminence. Those arguing in favor of new forms of supranationalism stress the growing agency of the Commission with regards to macro-economic policy as the 2000s saw the European supranational institution take on a coordinative and supervisory role in a growing number of policy fields which did not strictly fall under the Community Method. Lastly, scholars such as Vivien A. Schmidt have also raised the prospect of a new parliamentarism, arguing that building on the momentum of the EP's enhanced powers born from the Lisbon Treaty (TUE), the Eurozone crisis has further 'politicized' EU public policy thus altering both the EP's role and its relation to the other institutional actors.

Understandably, these different strands frame the institutional crisis-born architecture in very different vantage points. Following new intergovernmentalism, we can expect to see Member States reduce the Commission and the European Parliament to subordinated roles by seeing the Council grab the initiative and delegate any new powers to *de novo* bodies. Conversely, the new supranationalists contend that in the name of ever greater policy efficacy the crisis has strengthened the discretionary powers of the EU's supranational institutions. Finally, new parliamentarism postulates that the crisis has meant greater politicization which in turn calls for more deliberative *fora* able to ensure the sustainable legitimacy of the underlying political mandate.

Building on these more conceptual analyses of European integration, we argue that the puzzle raised by the fast-burning crisis of 2010 is best understood through a more dynamic approach which allows for a rethink of the equilibrium struck between these diverging tendencies. The aim of this article is therefore to go beyond stark dichotomies by favoring a dynamic relational approach which challenges the view that the modes of governance shaped by the Eurozone crisis have empowered one integration dynamic to the detriment of the others. We argue that the new power relations between EU institutional actors can be better portrayed through a pluralist analytical grid combining the three "new" intergovernmentalism, supranationalism and parliamentarism. To this end, the article assesses how the European Semester reflects a new equilibrium by combining different elements of the afore described new forms of integration.



Put differently, from a theoretical point of view, this article argues that the European Semester reflects a process of hybridisation by combining different elements of all three forms of integration. A new equilibrium has emerged as a result of a two-stage hybridization process:

The first stage corresponds to the fast-burning¹ phase of the Eurozone crisis (i.e. 2010-2013) which is characterized not only by uncertainty and instability, but also by conflict and opposition between actors with very different interests and policy preferences in terms of input and output.

The second stage, which corresponds to the slow-burning crisis associated with European governance (i.e. since 2013), sees a reassertion of more long-term tendencies thus opening the way towards more cooperation between EU institutional actors by way of changes in the Semester's process.

The article is organized in two main parts. Drawing on recent theoretical debates in European Studies be it on new intergovernmentalism (Bickerton, Hodson and Puetter 2015), new supranationalism (Dehousse 2015) or new parliamentarism (Schmidt 2016), the first part introduces a theoretical grid designed to conceptualize the interplay between the institutional actors engaged in the European Semester. The second section illustrates the argued forms of hybridization which see these new modes of governance partially co-existing in a hypothesized new equilibrium. The overarching aim of the article is to shed some light on the shifting power relations between the European Commission, the European Parliament and the Council.

2. THEORIES OF INTEGRATION REVISITED, DATA TRIANGULATION AND CASE SELECTION

The literature devoted to the Eurozone crisis provides us with a wide range of theoretical explanations following the traditional debates between intergovernmentalists and supranationalists. This debate about who drives the integration process is backed by several years of research in EU studies aimed at unraveling the dynamics of the integration process and its effects. Although these theories have been revisited since their inception, it seems that a significant reinvigoration has been fuelled by the Eurozone crisis. In recent years, three new conceptualizations have been developed – the new intergovernmentalism, the new supranationalism and the new parliamentarism – each one describing major transformations in EU's modes of governance. This emerging body of research unpacks the power relations between EU institutions in contrasting ways. The following section introduces these three new approaches and proposes an “integrated” analytical grid to analyze their hybridization in the framework of the European Semester.

¹ On this distinction see Leonard Seabrooke and Eleni Tsingou (2014).



2.1 The New Intergovernmentalism


For the new intergovernmentalists, since the beginning of the 1990s the EU has gone through a phenomenon called the 'integration paradox' whereby Member States "neither want to further compromise their sovereignty nor want to refrain from advancing European solutions" (Puetter 2011:168). Similarly, the Eurozone crisis turned the spotlight on the European Council, with Member States taking center stage and most initial actions being intergovernmental in nature (Puetter 2011:168).

The new intergovernmentalists maintain that this novel phase of the integration process does not involve further delegation of power from Member States to supranational institutions. From their point of view, Member States being reluctant to cede further power to supranational institutions, there is a tendency towards European integration without supranationalisation, (Puetter 2012: 161). Consequently, this new trend might have implications for the decision-making process, with consensual and deliberative approaches becoming "the only means through which collective action is possible at the EU level" (Bickerton et al 2015: 29). The resulting transformation in action capacity of EU and domestic institutions would see the multilateral action of the Member States organized within the Council drive the integration process as they determine EU institutional decision-making procedures through a series of top-down mandates (Schmimmelfenig 2015: 187).

Paradoxically, supranational institutions are argued to have been complicit in said integration paradox (Bickerton et al 2015: 5). They no longer seem "hard-wired" to seek ever closer union through sovereignty transfers. By contrast, as both symptom and consequence of these changes, the new intergovernmentalists point to the multiplication and empowerment of a new category of actors called *de novo bodies* expression which refers to a wide range of agencies and working groups that bring together non-elected actors (i.e. experts and practitioners) from the national and the European level. The new intergovernmentalists see these *de novo bodies* deal with competences that could have been delegated to the Commission (Bickerton et al, 2015: 3) but were not so as to serve the interests of Member States seeking access to centralized expertise and information.

Overall, focusing on questions of power transfer, the new intergovernmentalists argue that Member States have been empowered by the recent crisis. They maintain that in the context of the Eurozone crisis the "EU executive has been given an agenda setting role in relation to economic and fiscal surveillance, but Member States retained the first and final say over the formulation and implementation" of the policies decided through the European Semester (Bickerton et al, 2015: 7). From this perspective, it appears that supranational institutions have progressively lost their political clout in the management of the Eurozone crisis.

However, empirical research suggests that the European Semester has not led to a diminished set of supranational actors. Rather it has transformed the nature of the



Council and the relation of the Council with the European Commission. As a mode of governance, the Semester has rather than simply empowered the multilateral Council, also improved their discretionary power of both the Commission and the individual Member States through the prominent role given to intensive interactions between the Commission and national ministries, first among which the Finance Ministries.

2.2 The New Supranationalism

Like the new intergovernmentalists, the new supranationalists claim that structural shifts in EU governance were already observable before the Eurozone crisis (Laffan 1997; Bauer 2006; Rodrigues 2009). Contrary to the new intergovernmentalists who claim that Member States are the winners of the Eurozone crisis, for the new supranationalists the Eurozone crisis did not weaken the powers of the Commission. When considering the drivers of European integration, new intergovernmentalists look at the transfer of power *de iure*, while new supranationalists seek to identify change by scrutinizing the action capacity of the Commission and its *de facto* empowerment. What the new supranationalists maintain is the central role of the Commission in the process of integration, be it through new means and behaviors. For example, Bauer and Becker argue that the Commission has been empowered by Member States in deliberate or unforeseen ways (Bocquillon and Dobbles 2014: 213). This is because the delegation process aimed at reducing transaction costs can lead to a relative increase in the action capacity of the agent, and this to the detriment of the principal's (Savage and Verdun 2015). The new supranationalists maintain that the Commission has acquired greater power of enforcement and strengthened its action capacity in terms of monitoring, assessment and recommendations. In addition, fieldwork in Brussels reveals that this new role of the Commission is possibly less visible since it is located within the bilateral dynamics entertained with each Member State. The Commission's action capacity refers to the accumulation of policy-making competences on the supranational level and to the sum of formal and informal instruments that the Commission has at its disposal to formulate and implement policies. Against this backdrop, we maintain that the relationship between the Commission and Member States within the European Semester is more complex as the Commission seeks to use its authority in a more cautious and differentiate fashion with an eye on improving ownership and compliance.

2.3 The New Parliamentarism

A final take on the shifting dynamics of integration stresses the role of parliaments and political ownership. Therefore, changes have also been observed with regard to the role of the European Parliament. Traditionally the EP has tried to consolidate its prerogatives by becoming an "equal partner" in the Community Method (Schmidt




2016: 7). This focus on the supranational Community Method saw the EP conceive of its prerogatives independently from those of the national parliaments. In the early 2000s, besides what we might call this “old parliamentarism” and mainly following the debates of the Convention on the Future of Europe, a new parliamentarism crystalized. One which no longer conceives of the “Community Method as the *sine qua non* process of deeper integration” (Schmidt 2016: 8), thus opening the perspective of a multi-level parliamentarism articulating the European and national parliamentary prerogatives, as put forward through several Conclusions of the European Council. However, before the Eurozone crisis involvement of national parliaments has remained largely voluntary and independent of the supranational parliamentary dynamic.

As the Semester leaves relevant provisions of the Maastricht and Lisbon Treaties largely unchanged, the EP remains formally excluded from the decision-making process. This prompted individual members of the Parliament and its president to deplore the marginalization of the Community Method in the management of the Eurozone crisis (Dinan 2014: 114). Nonetheless, the mounting pressures of the slow-burning crisis have since allowed for the EP to play a role as it “has increasingly become the ‘go-to’ body for other actors concerned about the political legitimacy of the European Semester” (Schmidt, 2016: 8). The main innovation the EP did secure through the institutionalization of the Semester by the adoption of the Six and Two-Pack was the provision of a legal basis to organize not only the Economic Dialogue but also the interparliamentary one involving national parliaments. In response, parliamentary prerogatives and political ownership have had to be conceived through the interaction between the national and European political debates. Accordingly, adapting its strategy to the boundaries of the current legal framework, the EP sought to empower its national counterparts. Traditional parliamentary prerogatives associated with the European Semester are increasingly expected to be jointly exercised at the European and national parliamentary levels.

2.4 A Process of Hybridization as Working Hypothesis

The evolutions associated with the European Semester occurred gradually and have altered the relationship between the EU’s main institutions.

If in the fast-burning phase of the crisis the European Semester saw the powers of the European Council increased, it seems that starting with 2011 progressively each of the EU’s main actors has integrated the Semester and thus been empowered by it. The sequential set up of the Semester does not allow for a single and static overall picture. We contend that the evolution of the Semester over five iterations does not reflect the empowerment of one actor at the expense of others as argued by the new intergovernmentalists, supranationalists or parliamentarists; but that it has produced a new emerging equilibrium as a result of a process of hybridization.




First, empirical evidence suggests that the fast-burning crisis was characterized by inter-institutional conflicts over the institutional design of the EU's response to the Eurozone crisis. By contrast, since 2013, energies have shifted towards fostering greater co-construction and cooperation with an eye on improving ownership and compliance, which in turn has led to a broadening of the Semester's policy agenda.

Second, through a form of gradual hybridization, the European Semester has partially integrated long-term tendencies towards new forms of intergovernmentalism, supranationalism and parliamentarism.

Furthermore, we contend that these shifts in the interaction between the EU's main institutional actors have allowed for a new institutional equilibrium within the EU. The European Semester is therefore expected to act as a catalyst of a new institutional equilibrium that would be the product of the new ways in which the traditional EU institutions (EP, EC, Council) and the Member States have been made to interact. Accordingly, the European Semester has therefore come to reflect a mode of governance characterized by:

A hybridization of the agendas of all EU institutions along general orientations determined by the politics within the Council, confirming the new intergovernmentalists' intuition that even in times of acute crisis an 'integration paradox' limits the political feasibility of new supranational ventures to the lowest common denominator. The Semester was neither to further empower multilateral top-down dynamics of integration rooted in the Council nor weaken the Commission's role. During the fast-burning phase of the crisis, it strengthened the agenda-setting powers of the European Council to the detriment of the supranational actors. Although the Commission was involved in the formative stage of the processes, most notably through the expert input of DG ECFIN, it was the report of the President of the European Council's Task Force that served as the blueprint for the institutionalization of both the content and the processes that would come to define the European Semester. As the fast-burning crisis slowed, the Commission seized on its new responsibilities to take action and exert greater discretion.

A further hybridization of policy-making under the stewardship of the Commission in drafting, assessing and adjusting the European Semester. In line with the 'New Supranationalist' point of view the Semester has strengthened the Commission as it leverages its often-underestimated capacity to monitor, assess and provide recommendations to Member States. This has in turn had the unpredicted effect of propelling the Commission into a new and more political bilateral relationship with each Member States, which would fundamentally alter its relations with individual Member States. Ultimately the Six-Pack adopted in December 2011 would not merely enhance the Commission's authority in the multilateral budgetary and macro-economic supervisory, but more importantly it also institutionalized an increasingly far-reaching and political macroeconomic dialogue with each Member State.



Finally, although the role of the EP had initially been relatively minimal, over time it gained greater voice and presence throughout the process. Hence, a further hybridization of a multi-level exercise of parliamentary prerogatives reflects the growing centrality of the bilateral relationship between the EU and each Member States. As stipulated by 'New Parliamentarism' if parliamentary prerogatives within the Semester are to increase this will flow from three new dimensions of the interplay between the EU level and the national levels: the consultative role of the inter-parliamentary dialogue; the provision of the national mandate for the bilateral dialogue with the Commission; and the supervision of the recommendations' impact at the national level.

The following section shows that European Semester after five iterations reflects a process of emerging hybridization of the new intergovernmentalist, supranationalist and parliamentarist tendencies that have been developing within the EU since before the 2010 Eurozone crisis.

2.5 DATA TRIANGULATION AND THEORY BUILDING METHODS

To account for the institutional transformation of the European Semester the article draws on a wide range of documents (including discourses, Memos, reports, communications) issued by the European Commission from 2011 to 2015. The Press Release Database of the EU was consulted extensively to retrace the process and the evolutions of the European Semester. This set of documents was complemented with reports on the European Semester produced by the EP. Parliamentary debates from 2011 to 2015 were also scrutinized. In order to capture the interactions between institutions and to understand their evolution over time, a series of semi-structured interviews have been conducted in Brussels in February, March and April 2016 with MEPs, political advisors, officials in the administration of the Commission and representatives of the Council and EU Member States from Permanent Representations to the EU.

2.6 THE EUROPEAN SEMESTER

In response to the Eurozone crisis, Member States agreed to strengthen their economic coordination within the legal framework of the existing treaties. This was to be done by building on a series of instruments such as the Europe 2020 Strategy, the Integrated Guidelines, and the ESGP. By establishing the European Semester, the purpose was to go beyond what already existed, to achieve concrete commitments and to follow a clear timetable for policy implementation. For the main EU institutional actors, establishing the Semester would "rewrite the rule book" (Speech Barroso 11/10) so as to change both attitudes and practices at the EU level. The Semester had been institutionalized by way of two European legislative acts known as the [Six-](#)



Pack (December 2011) and **Two-Pack** (May 2013) as well as an inter-governmental treaty known as the European Fiscal Compact (January 2013).


As a new tool of governance, it is meant to be more than a timetable for ex-post policy coordination. It seeks greater compliance through a combination of hard and soft measures and also allows for a transversal macroeconomic coordination effort, as besides fiscal and budgetary matters it also brings into the European debate a series of policies which equally go to the core of national sovereignty.

As such, the European Semester is a mode of governance that is best described as an intensive mechanism of policy coordination. It takes the shape of an institutional process that provides Member States with *ex ante* guidance on fiscal and budgetary policies. Through the European Semester, EU institutions produce a series of documents such as the Annual Growth Surveys (AGS), Country Recommendations (CR) and Country Specific Recommendations (CSRs) which are intended to shape the policies of Member States. The AGS is the analysis setting out the EU's priorities for the next years, including the economic and fiscal policies – to ensure stability and growth. Country Reports are analyses produced by the European Commission to examine the situation in each MS and to see whether an imbalance exists and whether this imbalance is in need of policy, while Country Specific Recommendations (CSR) are made by the Commission to help Member States to improve their economic performances. On this basis Member States produce the National Program Reforms and Stability or Convergence programs which include their plans for structural reforms and plans for sound public finance.

3. THE RELATIONAL DIMENSION: INTERACTIONS AMONG COUNCIL, COMMISSION, EUROPEAN PARLIAMENT AND MEMBER STATES

3.1 The Relationship between the European Commission and the (European) Council


Started as an exercise in policy *bricolage* mandated by the Council, at the moment of its inception the European Semester mobilized a number of ideas on how “to develop a set of innovative financial instruments” that were already being informally discussed prior to the crisis, most notably within the Commission (Andor, EP, 16 February 2011). While for some scholars and observers “the Semester was the product of a narrow group of commissioners” seeking greater compliance and coordination (Interview, former member of Cabinet under Barroso Commission), for others it was first put forward in the Council where it was said to be Luxemburg that had had the idea of a Semester as a means for greater budgetary coordination (Interview, General Secretariat, Council of the EU). Establishing the Semester would “rewrite the rule book” (Speech Barroso 11/10) so as to change both attitudes and practices at the EU level. Following the 2010 crisis that idea would be picked up and championed by Germany as a useful means to homogeneously push its preferred fiscal and budgetary options. Herman Van Rompuy as European Council president “was equally important in



building a consensus on Eurozone governance by setting up a working group that included the main EU institutional leaders in monetary and economic policy” (Schmidt, 2015: 41) known as the ‘Taskforce on European Economic Governance’ which settled the definitive institutionalization of the European Semester. Ultimately, the Commission, ECOFIN and the European Council all took part in shaping the initial contours of the Semester, be it at different stages and to varying degrees.

In the early stage of the fast-burning crisis, what was at stake was the ability and willingness of Member States to properly implement decisions and rules that they set up for themselves at the EU level. As such, the European Council was eager to consider new policy instruments able “to put more pressure on Member States to exercise what you call peer pressure” and this “because at the time the atmosphere was we need budgetary consolidation” (Interview, General Secretariat, Council of the EU). Both the Council and the Commission remained singularly focused on fiscal consolidation. Thus, the 2010 short-lived cross-institutional appeal in favor of more effective implementation ultimately saw the European Council endorse and formalize a reinterpretation of the rule book and the creation of new instruments which would habilitate the Commission to apply the rules and encourage compliance most notably through a semi-automatic sanction system (Speech Barroso 11/10; 11/7). Seizing upon this window of opportunity, the Commission proclaimed itself as the only institution endowed with “political autonomy”, “technical expertise” and “the pan European vision” needed in order to coordinate the European Semester (Document 11/382), claiming, at the time, to be “the economic government of Europe” (José Manuel Barroso, 2011).

By contrast, in the slow phase of the crisis, both the European Council and the president of the Commission José Manuel Barroso redefined the philosophy of the Semester arguing that this policy tool had to be conceived as a system “based on guidance, not on corrections”, as “an informal discussion” between Member States and EU institutions before deliberate and vote their national budgets (Speech Barroso 11/29). As one official from the Council maintained, over time, the Commission has become ever more reluctant to formulate “harsh recommendations” because of the increasing hostile political context both at the EU and Member States levels (Interview, General Secretariat, Council of the EU). Since engaging with the European Semester, the Commission has expressed an increasing concern not to be perceived as “breaching national sovereignty” (Speech 11/724; Document 11/64). This growing political awareness at the Commission saw talk of sanctions move to the back-burner as interactions and recommendations came to focus on needed structural reforms. The European Semester was no longer conceived of as an instrument of *ex-post* coercion, but as one of *ex-ante* guidance and socialization (Speech Barroso 11/29). Discourses surrounding the European Semester show that starting with 2012, Commissioners and high-level officials increasingly portrayed the European Semester as a forum where to discuss Member States’ macro-economic policies.




Since the end of the fast-burning crisis the Council and the Commission have worked in unison to “revamp” the Semester. This has prompted both actors to seek to streamline their interactions in response to an ever more complex macro-economic coordination process. To streamline the overall process, a reduction of the number of recommendations addressed to Member States is the main development called for by Commission, Council and Member States alike. Whether for the Commission or the Council, limiting the number of recommendations addressed to Member States was a way of reducing the complexity of the process and the number of committees involved. Technical actors at both the Commission and Council were aware of the risks associated with the European Semester’s increasing complexity. For them to continue to provide the necessary coordination work for the different committees and subcommittees a certain level of streamlining seemed necessary. Streamlining the Semester would rationalize the workload of the Councils and its various committees: “normally, from a theoretical point of view it is great to have an overview of all the areas, because all these areas are interlinked and there are overlaps (...) but then you have so many different Councils that are in charge for something areas ...it's ECOFIN, EPSCO, then is General Affairs Council and there are maybe some others that are also looking at the European Semester (...) How do you distribute the work? (Interview, General Secretariat, Council of the EU).

However, if ownership and compliance were the shared concerns of both Commission and Council, their motivations did differ thus leading to different sets of changes in terms of power relation and inter-institutional dynamics.

On the one hand, with an eye on maintaining the centrality of budgetary and fiscal consolidation, the Commission has above all championed a streamlining of the process so as to sustain its capacity to provide the necessary guidance of the European Semester. Some observers have argued that this was centered on preserving DG ECFIN's status as *primus inter pares* in relation with other Directorate Generals, whereas others have stressed the increasing role of the Commission's General Secretariat, the college of commissioners and in particular those members charged with Economic Governance, Valdis Dombrovskis, Pierre Moscovici and Jyrki Katainen.

On the other hand, ensuring the continued opportunity of having “meaningful discussion” within the Council, and thusly preserving the Semester's multilateral supervisory mechanisms was the Council and its Secretariat's main motivation. As the European Semester's coordination exercise has become a considerable challenge for both the Council Secretariat and each of the rotating presidencies, officials lamented a loss of substance in exchanges as energies seem to be diverted to managing an ever more complex coordination exercise wherein the multilateral dimension was merely going through the motions.

Nevertheless, within this relationship, relative executive powers of the Commission have increased with each cycle. The Commission is “very active” and “very




knowledgeable in contacting stakeholders like Parliaments, like the different cabinets, organizing informal meetings to explain things to people" (Interview, Permanent Representation of Belgium to the EU). Although final decisions are adopted by the Council "the Commission has a lot of power over, and say in how they formulate their proposals and their analyses and how they steer the recommendations in a certain direction" (Interview, Permanent Representation of Belgium). In a further assertion of its autonomy and a clearer understanding of the relative decisional discretion of each actor, the Commission has since 2012 forcefully used the 'comply or explain' rules of the European Semester to oblige the Council to provide a written explanation of its reasons for modifying any of the Commission's recommendations (Article 2-ab(2) of Regulation (EU) No. 1175/2011 of the European Parliament and the Council). The Commission holds to this principle both in the meetings of the Council and in the technical committees (Zeitlin and Vanhercke, 2014: 28). As one official of the Council, stated after an initially more consensual stance the Commission now reminds the Council it "is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publically" (Interview, General Secretariat, Council of the EU).

3.2 The Relationship between the Commission and Member States

Within each European Semester the European Commission performs a wide range of tasks which are formalized within the Annual Growth Surveys (AGS), the Country Specific Reports (CSR) and their resulting recommendations. It provides detailed economic and budgetary analysis describing the situation of each Member State, drawing on a wide range of national and international sources of information and it issues recommendations, "tailored" and "measurable", "objective" and "independent" (Document 11/75) which are prepared by the expert staff of the Commission and approved by the College of Commissioners. Both the AGS (which were an express demand of Member States at the inception of the Eurozone crisis) and the country specific recommendations are well received by national delegations in Permanent Representations, Member States officials acknowledging the important role of the Commission and the complexity of the exercise.

With regard to the AGS, DG ECFIN drafts the initial text (Interview, Permanent Representation of Romania to the EU). As a result of the fast-burning crisis the manpower and discretionary power of DG ECFIN were above all consolidated, even to the point of generating tensions with other DGs. As the Semester shifted towards the slow-burning crisis the number of actors involved in the process significantly increased and other DGs also saw their human resources and expertise reinforced. Ultimately, if DG ECFIN continues to provide the initial salvo for each cycle, different DGs now formally provide input for the AGS on an equal footing with DG ECFIN (Interview Commission, DG EMPL; Zeitlin 2014: 18). Within the Commission, although DG ECFIN remains in the driving seat (Interview, MEP, les Verts), the slow-burning crisis has allowed for more actors to get involved seeing that as one official from DG Employment stated, "in order to have balanced Countries Reports colleagues have to work together"




(Interview, Commission, DG EMPL). Consequently, with the nomination of the Juncker Commission it appears that the centrality of the DG ECFIN in the process has been somewhat reduced. If it remains custodian of the initial impetus, DG ECFIN is no longer the guarantor of the final product as this is now firmly in the hands of the SECGEN and the College of Commissioners.

Moreover, the Commission has leveraged its autonomous action capacity to develop bilateral dialogues with Member States when preparing CSR proposals so that it can ensure they *“are sufficiently precise as regards policy outcomes but not overly prescriptive as regards policy measures so as to leave sufficient space for social dialogue and, more generally for national ownership”* (Lithuanian Council Presidency, 2013). Following the publication of the AGS, country desk officers across several DGs start drafting their contribution to the Country Specific Reports (CSR). The main challenge to the quality and legitimacy of the Commission's CSRs in the eyes of their national counter-part is the Commission questionable capacity *“to observe all the information and to get it into a country report (...). The deeper they dig the more problematic it has become to put it in one report”* (Interview, Permanent Representation of Belgium to the EU).

Based on its CSRs, the European Commission then formulates recommendations which constitute the sharp edge of the new bilateral dialogue the European Semester has institutionalized between Commission and Member State. During the fast-burning crisis this process took place in the multilateral expert committees and working groups of the Council, involving representatives from all Member States. One official of the Council declared that in 2010 and 2011, *“we had long debates between the Commission, the Central Bank (...) and the country in question and everybody else ...was not so much engaged”* (Interview, General Secretariat, Council of the EU). As a result direct bilateral relations between the Commission's 'country desks' and national counter-parts have intensified to the detriment of the more multilateral supervisory mechanisms such as the Committees.

The purposes of these bilateral meetings are both to explain and to exchange information (Interview, COREPER, Permanent Representation of Belgium to the EU). A first meeting is organized after the publication of the AGS in November. The second bilateral meeting takes place after the publication of the Country Reports. The third and the last one occurs before the publication of the country specific recommendations. These bilateral meetings are “crucial moments” both for the Commission and for Member States. For Member States, the first meeting is essentially informative aimed at better understanding the economics and priorities shaping the AGS (interview, Permanent Representation of Belgium to the EU), while the latter two offer a very narrow window of opportunity to try to introduce some changes in the recommendations (Interview, Permanent Representation of Romania to the EU). The institutionalization of these bilateral interactions is reflected in the formalized agenda-setting powers associated with each of these meetings. Established practices see the Commission determine both the meeting agenda for, and the list of questions to which




Member State representatives have to respond at the first two appointments; whereas at the last meeting Member States have the opportunity to propose three topics of discussion of their choice (Interview, Permanent Representation of Romania to the EU).

These bilateral meetings constitute the core of the process (Interview MEP, les Verts) and its main innovation since 2014. They can take different forms varying from one country to another. While some Member States are represented by high-level officials, others are represented by their technical experts. The Commission seems to favor the political style of some Member States over the more technical approach chosen by others (Interview, Permanent Representation of Belgium to the EU). These bilateral contacts are not only to inform the Commission's decisions, but also amend them to take into account national considerations (see also Crespy and Vanheuverzwijn 2016). Formally Member States cannot change the analysis of the Commission, which is presented in the Country Report. By contrast, their room for manoeuvre increases slightly when discussing the resulting list of specific recommendations. Until the approval of the CSRs by the Council, the proposals of recommendation are discussed by the Commission with Member States representatives in order to take into account their specificities and preferences. Nonetheless, despite the different stages and places where Member States can try to influence this process, according to one of our interviewees, only *“3% of the proposals of modification are accepted by the European Commission”* (Interview, Permanent Representation of one Member State to the EU). Moreover, since the 2013 revised procedural framework of the Semester, any requested changes that are pushed through over the head of the Commission need a reverse qualified majority in the Council or Committee as well as a public justification in accordance with the 'Comply or Explain' procedure (Zeitlin and Vanhercke, 2014: 28).

Each Member State nevertheless tries to influence the process through different channels. To succeed and to convince the Commission to review its position the proposals of modification have to be backed by a “strong” and “valid” argument, meaning it must be congruent with the Semester's primary goals as set out in its founding mandate. The first series of discussions between the representatives of the Commission and each individual Member State take place in the technical committees. The chances for Member States substantially modifying the proposals for recommendations in the technical committees – Economic Policy Dialogue (EPC), the Economic and Financial Committee (EFC) or Employment Committee (EMCO) - are extremely low. The most likely place where recommendations could be slightly revisited to take into account Member States preferences is the more opaque but equally political college of commissioners with each Member State expressing its point of view through the voice of its commissioner (Interview, Permanent Representation of one Member State to the EU).

Confronted with the Commission's reluctance to change its recommendations, what Member States negotiate in general is rather more the “language” in which the Commission frames its reporting rather than the substantive content of the evaluation




criteria. Member States and the Commission occasionally adjust what is said in the CSRs and the resulting recommendations (Crespy and Vanheuverzwijn 2016), but more often they will find new common ground on how it is said. While in the past, the informal interactions between the Council and the Commission played a prospective role in establishing the goals to be attained through the European Semester, since its institutionalization and its constituent bilateral meetings the Commission has become “ultra-prescriptive” (Interview MEP, Verts) and as a result the bilateral relations between the Commission and Member States have been transformed into the most formative interactions within the Semester, thus eclipsing both Council and Parliament.

Overall, the crucial importance of these bilateral meetings is reflected in the growing involvement of cabinets of both national Ministers and European Commissioners (Interview Commission, DG EMPL). Direct contacts between the cabinets and ‘country desks’ play a key role when Member States compile their National Progress Reports (NPRs) as well as when the Commission drafts the Country Specific Reports (CSRs) and Recommendations (Crespy and Vanheuverzwijn 2016). These bilateral meetings between the Commission and individual Member State have emerged as one of the main innovation in terms of the Semester’s throughput (Interview MEP, les Verts) and have become a corner stone of the integration and hybridization dynamics within the European Semester. On the one hand, with regards to the call for more streamlining of the Semester, the set milestones and deliverables of the various bilateral dialogues have become the means through which to integrate the growing number of stakeholders providing input while keeping the process as a whole manageable and focused. On the other hand, these deep bilateral contacts have changed the relationship between the Commission and the Council as one official from the Council has seen the Semester evolve as *“instead of peer pressure in the Council, it has been shifted basically between the Commission and the Member States”* (Interview, General Secretariat, Council of the EU). Lastly, as the purpose of these bilateral meetings is also to improve “ownership in the Member States” the relevant parliamentary variable is not the EP but rather the role of national parliaments (Kreilinger, 2016) in *“debating country reports and country-specific recommendations and voting on national reform programmes, as well as national convergence or stability programmes”* (EP Report, Rodrigues, 2015/2285(INI): 12/31).

3.3 The Relationship between the European Parliament and the Other Actors

The role of the EP for its part remained marginal during these early stages of the fast-burning crisis since Articles 121 and 148 (TEU) which served as the Semester’s legal basis did not require its involvement. Since its launch, constructive support for the Semester has reliably come from the EPP S&D, and ALDE as it chimed with their principled and pragmatic backing of further European integration. Conversely, opposition within the EP has mainly crystalized as a point of principal within either groups opposed to deeper integration, such as ECR; or those opposed to the economic principals underlying the



European Semester's drive for budgetary and fiscal consolidation, such as GUE (see also O'Keefe et al 2015).

As the fast-burning crisis mellowed, MEPs from the four generally pro-integrationist political groups joined more principally skeptical voices from the ECR and GUE to deplore the excessive focus on expenditure reduction and fiscal consolidation resulting from the 'one-size-fits-all' approach (Schmidt, 2014) structurally built into the recommendations tabled by the Commission (Eickhout, Verts, EP, 25 October 2011). As early as 2011, the EP had become an echoing chamber for those regretting "*that people at the Commission continued to think along the old lines believing that the most important thing is to reform the labor market*" (Interview MEP2, S&D) as it remained wedded to the Council mandated "'one size fits all' approach in the European Semester that subordinated social cohesion goals to fiscal consolidation, budgetary austerity, and welfare retrenchment" (Schmidt, 2015: 19). With the EP developing into "the 'go-to' body for other actors concerned about the political legitimacy of the European Semester" (Schmidt, 2016: 8) its mounting pluralism and widening debates surrounding the European Semester have stood in stark contrast with the mainstream ideological conformism of both Commission and Council deplored by MEPs.

Pushing back against the bureaucratic 'one-size-fits-all' approach proposed by the Commission led by José Manuel Barroso - which rested solely on "indicators and figures" as MEP Podimata (S&D) and Goulard (ALDE) put it - the EP as an elected and deliberative body would come to call on the members of the college to change their paradigm and "*to focus on people and on vulnerable social groups rather than on numbers*". Within the EP, many claim that for the outcomes of the European Semester to change its custodians within the DG ECFIN and the Council have to demonstrate openness to new ideas and innovative solutions. These mounting calls for pluralism notwithstanding, during the legislative process of the Six- and Two-Packs, the EP was unable to inflect change as both the Commission and the Council sought to preserve the 'one size fits one' rules that the Council's intergovernmental negotiations had forged at the peak of the fast-burning crisis, and which the Commission had leverage into a further increase in its action capacity through a set of enforceable 'one size fits all' rules of budgetary austerity (Schmidt, 2015: 7). Consequently, deprived of any formal legislative role within the European Semester, the EP cannot claim being the sole "deliberative forum in which Eurozone policies are debated and contested, or even changed—as in the co-decision procedure of the Community Method" (Schmidt, 2015: 18). When considering the European Semester, the EP is held to see its parliamentary prerogatives of debate, supervision and approval exercised in relationship with one of the other actors.

Initially the EP and others struggled with the Commission's apparent lack of ideational openness. This was often explained by the prominent role of the mono-functional and technocratic DG ECFIN where initial drafts of the Semester's various reports (e.g. AGS, CSR and specific recommendations) entrusted to the large number (Zeitlin and




Vanhercke, 2014: 18) of relatively “junior economic experts” recently “*hired merely on the basis of the quality of their orthodox academic credentials*” (Interview, MEP, les Verts). Eventually, the change of Commission, the mounting tide of Euroscepticism at the EP elections, as well as the transition from a fast- to a slow-burning crisis would all contributed to see the relationship between the European Commission and the EP improve, particularly following the publication of the Five Presidents Report of 2015 (Juncker et al., 2015).

On the one hand, changes in practices and attitude within the Commission allowed for a more accommodating drafting schedule which made it possible for the European Semester to be scrutinized in several EP committees and for some MEPs to enjoy regular formal and informal contacts with Commissioners – in particular with Valdis Dombrovskis and Pierre Moscovici. On the other hand, these same throughput changes allowed for the 2015 AGS to be presented in the Parliament before its publication, thus opening the possibility of a substantive *ex ante* dialogue between EP and Commission (EP Report, Rodrigues, 2015/2285(INI): 12/31). These changes have indeed opened a new window of opportunity for a *de facto* increase of the EP's role in defining the Semester's input. Whether this will prove to be a fundamental or a passing change is a factor of how deep-seated the Commission's change in outlook proves to be. In this, some observers argue that the above described opening was a scheduling accident due to discussions and disagreements between the wider Commission and DG ECFIN; whereas others emphasize that the change was a deliberate decision specifically requested by Martin Schultz when he negotiated his institution's support for the Jean-Claude Juncker's confirmation as the *Spitzenkandidat* for Commission president with the biggest parliamentary backing.

In such a public debate on the European Semester, an isolated EP would inevitably come to play an auxiliary role in shaping national governments' compliance to European recommendations and their responsiveness to their citizens' concerns. Since 2012, as postulated by 'New Parliamentarism', the EP has sought to bridge this gap by trying to articulate its own work with that of national parliaments whose “individual contribution to the input legitimacy of the Semester cycle depends on their scrutiny of the two documents submitted by national governments to the European Commission: the Stability and Convergence Programme and the National Reform Programme” (Kreilinger, 2016: 31).

Although the rules of procedure associated with inter-parliamentary cooperation in matters pertaining to the Semester were only adopted in November 2015, the resulting Inter-parliamentary Conference on “Stability, Economic Coordination and Governance” was quick to challenge both National and European Parliaments to “roll up their individual and collective shirtsleeves” (Curtin, 2015) and play a more important role in shaping the Semester's output. The one-day meeting between MPs and MEPs directly concerned by the European Semester is usually preceded by the European Parliamentary Week held in Brussels during the first half of the year and co-hosted by the EP and the Presidency Parliament (Cooper, 2014). Despite the EP's best



coordinative efforts MP/MEP attendance and motivation remains very uneven (Kreilinger, 2016: 50) mainly because of national parliaments' unequal adaptation to the European Semester (Heffler et al., 2012; Rittberger and Winzen: 2015).

National parliaments have taken ownership of the European Semester in very asymmetric ways (Maatsch, 2015). In some national parliaments involvement is *ex ante* thereby acting as a "policy shaper"; in others their contribution after the reports publications makes them a 'traditional controller'. A further difference can be made as national parliamentary scrutiny can either involve the plenary or committees, "where 'in the first case', the role that parliament plays in the scrutiny of the European Semester resembles a "public forum", while in the second case, work in committee allows for 'expert scrutiny'" (Kreilinger, 2016: 36).

Overall, the unequal adaptation at the national level has led to asymmetries in parliamentary prerogatives and activities. For example, statistics prepared by the COSAC (2014) secretariat on parliamentary scrutiny of European Semester show that in 2013: 59% of national parliaments exercised *ex ante* scrutiny over the Stability and Convergence Programs (SCP) whereas 56% did for the NRPs; *ex post* assessments were done by 25% on the SCPs and 31% on the NRPs; the remaining 13-16% did not provide for any national scrutiny. As a result, more than any other factor such as latent competence quarrels with other EU institutions; the main obstacle facing the emergence of a functioning multi-level parliamentary is the asymmetrical exercise of national parliamentary prerogatives within the different Member States (Kreilinger, 2016: 36).

4. CONCLUSIONS

The European Semester is a complex process of policy coordination, which has two interrelated dimensions – political and technical. To have an accurate picture of the overall process one has to simultaneously consider its evolving legal basis and more informal practices between institutions as some of the limitations of the legal basis have been overcome through informal agreements and practices.

Through incremental changes, the Semester has come to reshape the roles, attributions and relations between the EU's major institutional actors. This has given rise to a process of hybridization and a new equilibrium which is reflected in the new dynamic relationship between domestic and European institutions. These new interactions include (1) agenda setting powers within the European polity being increasingly at the Council level and shared with the Commission and discussed with the European Parliament; (2) a gradual empowerment of the Commission through an increasingly important and differentiated bilateral relations between the European-level and Member States; and (3) a European Parliament whose largely symbolic role in macro-economic coordination has grown in importance as the Semester has become ever more politicized and institutionalized the role of national parliaments. These shifts in the interaction between the EU's main institutional reflect attempts to



the *de facto* hybridization of the new intergovernmentalism, new supranationalism and new parliamentarism.

If the fast-burning crisis revealed the empowered the European Council to set the Semester's thus seemingly confirming the new intergovernmentalists' hypotheses, it witness neither the creation of *de novo bodies* nor the sidelining of the Commission. The analysis also shows how throughout both the fast- and slow-burning crisis, the Commission gained significant action capacity both in scope and depth. This in turn echoes the 'new supranationalists'' tenants but also only partially as it did not foster an increasingly autonomous and centralizing agent vis-à-vis its principals (i.e. Member States), but rather positioned the Commission at the helm of a set of new iterative and differentiated relationships with each Member State. Moreover, the empirical research confirmed that the ever-growing centrality of the Commission bilateral relationship with each Member States is a core innovation at the heart of the European Semester's workings. Ultimately, the Semester's growing politicization has prompted the European Parliament's voice and position to increase, despite it being lock-out from providing formal deliberative input which remains solely in the hands of the Council. These conflicting constraints have encouraged the EP to focus its energies on conventional means of procedural cooperation and consultation with the Commission, while also exploring more innovative forms of cooperation with the national parliaments. If this allow for the prospect of a multi-level form of parliamentarism, its realization is currently hindered by the extreme heterogeneity of national parliamentary prerogatives within the Semester.



References

- Bauer, M.W. (2006) "Co-managing programme implementation: conceptualizing the European Commission's role in policy execution", *Journal of European Public Policy*, 13, no. 5: 717–35.
- Bickerton J. Ch., Hodson, D., and Puetter U. (2015) *The New Intergovernmentalism and the Study of European Integration*, OUP: Oxford
- Bocquillon, P. & Dobbels, M. (2014) "An elephant on the 13th floor of the Berlaymont? European Council and Commission relations in legislative agenda setting", *Journal of European Public Policy*, 21:1, 20-38, DOI: 10.1080/13501763.2013.834548
- Braghiroli, S. (2015) "An Emerging Divide? Assessing the Impact of the Euro Crisis on the Voting Alignments of the European Parliament", *The Journal of Legislative Studies*, 21:1, 96-114, DOI: 10.1080/13572334.2014.939559
- Cooper, I. (2014) "Parliamentary Oversight of the EU after the Crisis: On the Creation of the "Article 13", *Interparliamentary Conference-Working Papers*, LUISS School of Government
- Crespy, A. and Vanheuverzwijn, P. (2016) "Negotiated and Effective Constraint? Structural Reforms in the European Semester", paper presented at the Council for European Studies, Philadelphia (in the framework of the H2020 ENLIGHTEN research project).
- Curtin, D. (2015) "Democratic Accountability of EU Executive Power: A Reform Agenda for Parliaments", in Fabbrini Federico et al., op. cit., pp. 171-194.
- Dehousse, R. (2013) "The Politics of Delegation in the European Union", *Les Cahiers Européens de Sciences Po*, 4 (1)
- Dehousse, R. (2015) "The New Supranationalism", Paper prepared for presentation at the Panel on 'Reflections on the Euro-crisis and the Future of Representative Democracy' (P298), Montreal, August 26---29: ECPR General Conference
- Fabbrini F., Ballin E. H. and Somsen, H. (2015) *What Form of Government for the EU and the Eurozone?*, Hart Publishing: London
- Fabbrini, S. (2013) 'Inter-governmentalism and Its Limits: Assessing the EU's Answer to the Euro Crisis', *Comparative Political Studies*, Vol. 46, No. 9, pp. 1–27.
- Heffttler C. et al. (2013) "National Parliaments: Their emerging control over the European Council", *Notre Europe - Jacques Delors Institute Policy Paper*, n°89.
- Juncker, J. C., Tusk, D., Dijsselbloem, J., Draghi, M., & Schulz, M. (2015). *Completing Europe's economic and monetary union*. Five Presidents' Report, June.



Kreilinger, V. (2016a) "Inter-parliamentary cooperation and its challenges: The case of Economic and Financial Governance", in Fabbrini Federico et al., op. cit., 2015, pp. 271-288.

Kreilinger, V. (2016b) "National Parliaments, Surveillance Mechanisms and Ownership in the Euro Area, Policy Paper N°109: Notre Europe – Jacques Delors Institute,

Laffan, B. (1997) "From policy entrepreneur to policy manager: the challenge facing the European Commission", *Journal of European Public Policy*, 4, no. 3: 422–38.

Lefkofridi, Z. and Schmitter, P. C. (2015) "Transcending or descending? European integration in times of crisis", *European Political Science Review*, 7(01), 3-22.

Maatsch A. (2015) "Empowered or Disempowered? The Role of National Parliaments during the Reform of European Economic Governanc", MPIfG Discussion Paper 15/10,

O'Keeffe, M. et al. (2015) "The European Parliament's strategy in EU economic and financial reform", *Journal of European Public Policy*, DOI: 10.1080/13501763.2015.1025091

Pütter, U. (2012) "Europe's deliberative intergovernmentalism: the role of the Council and European Council in EU economic governance", *Journal of European Public Policy*, 19:2, 161-178, DOI: 10.1080/13501763.2011.609743

Rittberger, B. and Winzen, Th., "Parlamentarismus nach der Krise: Die Vertiefung parlamentarischer Asymmetrie in der reformierten Wirtschafts- und Währungsunion", *Politische Vierteljahresschrift*, 56 (3), 2015, pp. 430-456.


Rodrigues M. J. (Ed.) (2009) *Europe, globalization and the Lisbon Agenda*, Edward Elgar Publishing.

Rodrigues, M. J. (2013), "What is missing for a "Genuine" Monetary Union. Assessing the Plans for a Eurozone Roadmap", Friedrich Ebert Stiftung.

Rodrigues, M. J. & Xiarchogiannopoulou, E. (Eds.) (2014) *The Eurozone Crisis and the Transformation of EU Governance: Internal and External Implications*, Routledge, London.

Savage, J. D. and Verdun, A. (2015) "Strengthening the European Commission's budgetary and economic surveillance capacity since Greece and the euro area crisis: a study of five Directorates-General", *Journal of European Public Policy*.

Schmidt V. (2015) "The Eurozone's Crisis of Democratic Legitimacy: Can the EU Rebuild Public Trust and Support for European Economic Integration?" Discussion Paper n°15 – EC Fellowship Initiative 2014-2015 on "Growth, integration and structural convergence revisited" - see http://ec.europa.eu/economy_finance/publications/eedp/pdf/dp015_en.pdf (28/3/16)



Schmidt, V. (2016) "The New EU Governance: "New" Intergovernmentalism, "New" Supranationalism, and "New" Parliamentarism", prepared for the IAI series


Seebrooke, L. and Tsingou, E. (2014) "Distinctions, affiliations, and professional knowledge in financial reform expertgroups." *Journal of European Public Policy* **21**(3): 389-407.

Zeitlin, J., & Vanhercke, B. (2014) "Socializing the European Semester? Economic governance and social policy coordination in Europe 2020. Economic Governance and Social Policy Coordination in Europe, 2020.



What 'Brussels' means by structural reforms

Amandine Crespy & Pierre Vanheuverzwijn



Amandine Crespy is Lecturer in political science at the Université libre de Bruxelles. Her research deals with the politicization of EU integration, particularly in relation to socio-economic policies. In the project ENLIGHTEN she studies discourses, ideas and legitimacy issues involved with healthcare reforms in the Member States and, more generally, economic governance coordinated at European level.

Pierre Vanheuverzwijn is PhD candidate and academic assistant at the Université libre de Bruxelles. He deals with socio-economic governance by investigating the interactions between Member States administrations and EU institutions in the European Semester. His research feeds into ENLIGHTEN with a particular focus on structural reforms and policy making networks.

Both are members of the Institute for European Studies (IEE) as well as of the Centre d'étude de la vie politique (CEVIPOL) at ULB.




Abstract

The aim of this paper is to assess to what extent the European Semester, which is the EU framework for the coordination of national economic, fiscal and social policies, accounts for a change in the ideas promoted throughout the crisis. For doing this, we seek to tease out the meaning and substantial policy content entailed by the notion of 'structural reforms', a notion which has become ubiquitous yet barely explained or defined. Besides a brief reference to the genealogy of the notion of structural reforms and interviews, the bulk of our analysis relies on the content analysis of the key documents produced in the framework of the European Semester, including the Country Specific Recommendations made to the Member States. Our data supports three sets of findings. 1/ the notion of structural reforms has been vague and malleable enough to accommodate a certain degree of ideational change with a clear shift from fiscal consolidation to investment in 2014-2015. 2/ At the same time, there is obvious continuity at the level of more specific policy recopies and instruments. While the notion of structural reforms has fuzzy contours, it also has hard core inherited from its neoliberal origins. This hard core focuses on labour market reforms, the liberalization and deregulation of product and services markets, and the reform of public administration. 3/ With regard to social policy in particular, we detect an ongoing conflict between social retrenchment and social investment with the latter gaining ground in the discourse of the EU institutions. All in all, we conclude that the EU is trapped in a destructive – rather than constructive – ambiguity. Conflicting socio-economic strategies crystalize on which type of structural reforms should be implemented and when or, in other words, whether austerity and investment can be pursued at the same time.

Résumé

L'objectif de cette contribution est d'évaluer dans quelle mesure le Semestre Européen, témoigne d'un changement des idées promues dans les solutions à la crise qui frame l'UE depuis 2009-2010. Pour ce faire, nous examinons le sens et la substance en termes de politiques publiques que recouvre la notion de 'réformes structurelles', une notion omniprésente, mais rarement définie. L'essentiel de cette recherche se concentre sur une analyse de contenu des documents clés du Semestre européen, y compris les recommandations par pays. Nos résultats montrent que 1/ la notion de réformes structurelles a été vague et malléable permettant ainsi d'aménager un certain degré de changement dans les idées, avec un tournant clair de l'austérité vers l'investissement en 2014-2015. 2/ Dans le même temps, on observe une continuité certaine dans les instruments spécifiques et les recettes de politiques publiques. Bien qu'ayant des contours flous, la notion de réformes structurelles a également un noyau dur centré sur les réformes de marché de l'emploi, la déréglementation des marchés des produits et des services et la réforme de l'administration publique. 3/ Au regard




de la politique social en particulier, on identifie un conflit continu entre austérité et investissement social, le dernier tendant à gagner du terrain dans le discours des institutions européennes. Nous concluons que l'UE est coincée dans une ambiguïté destructrice - davantage que constructive – quand à la possibilité de poursuivre des politiques d'austérité et d'investissement simultanément.



1. INTRODUCTION

Eight years on the financial crisis originating in the United States and expanding to Europe, a main conclusion drawn by many observers and scholars alike is that it has not led to the collapse, or even substantial reform, of global financial capitalism, but rather to its continuation and indeed strengthening. After a short-lived episode of neo-Keynesianism, European countries especially have embraced a policy programme geared towards deflation-based competitiveness thus accounting for the resilience of a contemporary blend of economic liberalism (Crouch 2011, Schmidt and Thatcher 2013) and austerity (Blyth 2013) embedded in the (infra)structural power of finance in central banking (Braun 2015, 2016). A related current debate is investigating how the resilience of now old ideas is translating into the new governance framework set up for tighter macro-economic coordination through the institutions of the European Union (EU). This framework, known as the European Semester (ES), is essentially a yearly cycle of surveillance supervised by the European Commission combining a hardening of the deficit rules of the Stability and Growth Pact (with stringent procedures potentially involving financial sanctions) and a continuing soft coordination of economic and social policies. The focus lies on the country-specific recommendations (CSRs) whereby the European Commission advises each Member States on how it should reform its economy and welfare state under the multilateral control and (and formal endorsement) of other Member States gathered in the Council. The primary goal of the European Semester has been to enforce fiscal discipline to achieve deficit reduction across the EU. Five years on the inception of the European Semester, though, in the face of continuous poor results in terms of output and job creation, we seem to witness some change in discourse and ideas promoted by the EU institutions, away from mere austerity and in favour of more growth oriented policies – including a concern for tackling exacerbating social inequalities –, especially under the new Juncker Commission since 2014.

The aim of this paper is to tap into this string of research by asking to what extent can we detect a change in ideas underpinning the policy programme advocated through the European Semester. To answer this question, we adopt an original focus on the understanding and substance of structural reforms (SR). Over the past couple of years, it seems that the stress has, to a certain extent, shifted away from mere deficit reduction targets to the need for governments to implement SR. But which type of reforms does this pervasive phrase refer to? Do they serve to strengthen the mix of neo- and ordo-liberalism largely institutionalized at EU level? Or, on the contrary, do these reforms contribute to back a change of winds towards alternative policies? On the one hand, research about ideas and policies has largely focused on one aspect of austerity, namely the issue of debt and the politics of deficit reduction, not least because this is where the pressure exerted by EU governance is stronger with stringent procedures. Moreover, debt and deficits were core in triggering bail-out programmes with the most dramatic effects in the countries under financial assistance. Yet, from the outset, the idea that Member States should conduct deep reforms of their



economic and social systems has been the second pillar of post-crisis governance besides fiscal consolidation. Insofar, SR were always conceived as a corollary to fiscal discipline. On the other hand, the bulk of the work on the European Semester has been mainly concerned with its institutional dimension through themes such as the mix of hard and soft law (Bekker and Palinkas 2012, Armstrong 2013, Bekker 2015) or the reshuffling of the balance of powers between Commission, Council and Parliament (Coman and Ponjaert 2016, Schmidt 2016, Dehousse 2015). As for its substantive nature, it has been assessed through institutional proxies such as the involvement of 'social actors' and the number of country-specific recommendations (CSRs) relating to social policy rather than by examining a possible substantial change in ideas (Vanheuverzwijn 2014, Zeitlin and Vanhercke 2014).

Against this backdrop, this paper therefore aims to assess the degree and nature of ideational change exhibited through the ES by unpacking the meaning of the – often mentioned yet under explained – notion of SR. We start from the hypothesis put forward by Tsingou and her colleagues (2014) claiming that we can observe change in policy ideas as the crisis has shifted from emergency management ('fast-burning phase') to long-term problem solving ('slow-burning phase'). This can be seen as a response to the need for policy-makers to address the lack of output legitimacy of the EU's macro-economic governance, namely the rising criticism that austerity alone does not work. To analyse the meaning behind the notion of SR and the change thereof, we follow the distinction proposed by Hall (1993) between policy instruments, programmes and paradigms so as to distinguish between first, second and third order change. We also include a more detailed analysis of the implications for social policy and welfare by assessing a possible shift from a programme of 'social retrenchment' to 'social investment' (Hemerijck 2014). The demonstration relies mainly on a content analysis of documents and reports issued in the framework of the European Semester, complemented by questions about SR we asked in semi-structured interviews with policy-makers. Overall, we find that the continuous centrality of SR within the European Semester at the expense of fiscal consolidation accounts for limited second order change which does not qualify as a shift towards a new policy programme, let alone paradigm. While the substantial meaning of SR has been fuzzy and malleable enough to accompany the 'layering' of new objectives and instruments (in particular investment), this leaves national governments facing conflicting objectives and inescapable trade-offs. Thus, we argue, the EU is currently stuck in a destructive ambiguity regarding the underpinning ideas of its macro socio-economic strategy.

The paper falls into three sections. We first present our theoretical and analytical framework which aims at assessing the nature of ideational change in macro-economic and social policy. Then, we briefly outline the (long) history of SR in order to shed light on its ideational origins, mainly linked to the rise of neoliberalism and the 'Washington consensus'. In the last section, we present our analysis of the meaning and content of SR in the European Semester from 2011 to 2016 based on Hall's three




orders of change as well as on the distinction between social retrenchment and social investment.

2. ASSESSING IDEATIONAL CHANGE IN MACRO-ECONOMIC GOVERNANCE

2.1 Legitimacy, policy ideas and time throughout the Eurocrisis

This paper draws on the hypothesis that time (or the perception thereof) and the sense of emergency in economic and political crises has effects on the ways in which policy responses are selected and implemented. In the 'fast-burning' phase of crises, decision makers have limited time for reflection and thus tend to define their interests on the basis of 'hot knowledge' (Seebrooke and Tsingou 2014, Tsingou 2014)¹. Seeking quick responses in emergency, they tend to select immediately available ideas and policy recipes and may create new policy instruments which serve to reinforce the old ideas. When the crisis comes to a slow down, though, decision-makers may realise that old ideas are not appropriate to new challenges and may appeal to 'cold knowledge' (idem) therefore seeking new ideas and solutions. From 2010 to 2012, decision makers in EU institutions have stuck to their established principles, rules, and mandates. The ECB first insisted it would never become a lender of last resort and Angela Merkel was reluctant to accept unorthodox practices in monetary policies. Within the Troika, the European Commission pushed for harsh austerity in the enforcement of financial rescue programmes in bail out countries. However, after the initial fast-burning phase of the crisis, criticism has started to be levelled at those policies on both political and technical grounds. Both the ECB and the Commission started to reinterpret the rules for allowing more flexibility in policy making. Draghi claimed that he would do 'whatever it takes' to save the Eurozone, while the EU Commission eased its approach to fiscal consolidation and granted more flexibility to Member States (Schmidt forthcoming).


Changes in ideas and policies in the shift from the fast and to the slow burning phase of the crisis are inextricably linked to the perceived legitimacy of policy responses. A long standing debate on the legitimacy of the EU has been powerfully framed in terms of input legitimacy (rooted in representation and participation), output legitimacy (referring to the efficiency of public policies in solving problems) and, more recently, throughput legitimacy (the procedural quality of governance, including accountability and transparency) (Schmidt 2013). While the throughput dimension of the European Semester certainly deserves attention, this particular research starts from the assumption that possible change in policy ideas promoted by the EU institutions is mainly geared towards problem-solving and the desire to improve the output legitimacy of macro-economic governance. After the fast-burning phase of crisis management, where the main task was to avoid the dissolution of the Eurozone, the slow burning European crisis has taken the form of prolonged low growth and very high levels of unemployment accompanied by rising poverty. Increasingly, it is deflation rather than inflation which has been seen as a threat for Europe. According to many economists and the President of the ECB himself, Mario Draghi, the effects of monetary



policy for boosting economic activity has reached its limits. This clearly points to the need for something to happen in the realm of macro-economic policy. Furthermore, the poor performance of policy responses to the crisis so far has clearly undermined the legitimacy of established political forces ruling both at the level of the EU and in national governments with increased polarization within national societies and the rise of the far-right. The pressure is therefore high for showing that the EU can help designing policies that work. The acutely perceived need for 'change' seems to naturally call for 'reforms'. Besides to fiscal consolidation, the need for SR has been increasingly stressed together with the investment theme. To what extent does this indicate an impulse towards new policy ideas in the EU?

To empirically investigate the policies promoted by the EU institutions in the governance framework which emerged from the crisis, we rely on the distinction between first, second and third order change in policy-making. In his seminal article dealing with macro-economic policy in Britain, Peter Hall (1993) proposes that first order change relates to the evolution in the instruments used for the conduct of public policy thus bringing about incremental developments in routine policy making. Second order change occurs at a higher level when the hierarchy of objectives is only altered marginally but nevertheless prompts new techniques and instruments to achieve them, thus indicating a new policy programme. Finally, Hall conceptualizes third order change as a paradigm shift which involves a radical change in the underpinning philosophy and hierarchy of goals in policy making. For instance, the coming of age of neoliberalism on the ashes of Keynesianism epitomizes third order change. In this perspective, change is triggered by a process of social learning whereby policy makers react to the consequences of past policy decisions thus dealing with policy legacies. Thus, second and third order changes often occur as a result of the perceived failure of past policy programmes and paradigms. Another interesting aspect underscore is the sociological dimension of learning. While first and second order change can happen within the state apparatus itself, third order change is accompanied by a broader societal and political change involving controversies among experts and, eventually, a shift in the locus of authority for the provision and experimentation of policy ideas². This goes hand in hand with changes in the electoral arena where politicians are likely to embrace ideas which, they feel, can appeal to the public.

In order to refine our analysis and provide finer grained analysis of the 'social nature' of the European Semester, we use an additional analytical device. As mentioned above, the EU has produced its own ideational and institutional blend of Germanic ordo-liberalism and contemporary finance-driven neo-liberalism. It would be naive to expect either a total entrenchment of EU policies in a 'pure' neoliberal paradigm, or a radical departure towards a completely new economic and social paradigm. We therefore rely on the distinction proposed by Hemerijk (2014) between 'social retrenchment' and 'social investment'. This model highlights the differences at various levels of ideas and instruments between both policy programmes (rather than



paradigms): while the former is focused on fiscal austerity, the latter is rooted in the premise that social policy should be a productive factor boosting competitiveness, thus being part of the solution rather than part of the problem. As such, social investment is not incompatible with the liberal paradigm promoted at the EU level which has consistently sought to accommodate a conservative with a social democratic conception of economic and social modernization, as reflected in the former Lisbon Strategy or in Europe 2020. At the same time, the full and consistent implementation of an ambitious social investment programme at a European scale has the potential for bringing about significant first, second and, arguably, even third order change.

2.2 Methods

In order to explore the meaning attached to SR in the framework of the European Semester, we carried out a content analysis of several documents published throughout the cycle, i.e. the Annual Growth Survey (AGS), the Alert Mechanism Report (AMR), the Euro Area Recommendations (€ARs), and the Country-Specific Recommendations (CSRs). We combined a software-assisted qualitative analysis (N-Vivo) of all the documents with a more fine-grained although less systematic analysis of the AGS so as to give a more complete and accurate account of the status of SR in the wider policy agenda of the European Semester. Our content analysis was conducted in three steps. First, we proceeded inductively to code each paragraph comprising the term 'structural reform(s)' in the said three first documents according to the broad policy objective and the more specific policy instruments it was referring to. This was both to help get a first insight of the meaning of SR, and to capture how policy goals and policy instruments of SR were related with one another. Secondly, based on this first step, and using the same coding, we categorized each and every CSR³ by policy instruments and by year, in order to elucidate the evolution of the SR agenda over time⁴. And thirdly, drawing on the distinction established by Hemerijck (2014: 152), we recoded the said CSRs according to which type of socio-economic policy programme they fall under, namely social retrenchment or social investment. This allows us to make a more detailed assessment of second order change. The appendix shows in detail how specific items were coded. Furthermore, although less central to our demonstration, we also used a series of 24 semi-structured interviews which we conducted with key actors within EU institutions and national administrations⁵. This served to complement our content analysis by exploring the subjective understanding of the economic reasoning and the normative justification behind the meaning of SR.

3. STRUCTURAL REFORMS: THE LONG HISTORY OF AN EMPTY SIGNIFIER


3.1 The origins of structural reforms and international organisations

Although the notion of SR had many avatars over time and space, it is clearly rooted in the rise of neoliberalism, an itself very malleable set of ideas more than a structured



ideology (Schmidt and Thatcher 2013). In the 1960s and 1970s, the acceptations of structural reforms in the academic or policy making literature are very diverse. The term in fact means not much more than far-reaching reforms in various contexts, for example in relation with reforms of the agricultural or industrial sectors in the developing world. From the 1980s on, though, the notion of SR starts crystallizing on a policy programme which has been described as the 'Washington consensus' among the international financial institutions, especially the IMF and the World Bank (Jones and Newburn), rooted in the then flourishing neoliberalism (Babb 2012). While providing financial help to countries facing existential economic and debt crisis, said institutions introduced a conditionality attached to the implementation by the indebted countries of a number of reforms aiming at their economic recovery. The debt crisis affecting several Latin American countries in the 1980s constituted a case in point with ingoing structural reforms linked to debt issues from the 1980 until the 2000 (Lora 2012). Similar programmes were also applied to Sub-Saharan Africa and Asia. Meanwhile, structural reforms have also been promoted and closely monitored by the Organisation for Economic Co-operation and Development (OECD), within which a new working party on 'macro-economic and structural policy analysis' was created in May 1980⁶ (OECD, no date). By the end of the 1980s, most OECD and developing countries alike, although facing different challenges, had engaged with structural reforms (Edwards 1989). Another interesting realm where structural adjustment or reforms were attached to financial aid through conditionality has been the transition of former communist countries towards market economy. Romania stands out as an interesting case with successive waves of structural reforms, from initial resistance by the political elites in the early 1990s to a neoliberal 'shock therapy' and more consistent reforms in the run up to accession to the EU in the early 2000 (Ban 2011).

There exists no unique definition of SR as they have taken various forms across space and time. Exploring the formative years where the notion of SR emerged and progressively became an almost self-explanatory policy agenda, it is however possible to detect a core of consistent features referred to by the very institutions which forged the notion. As early as in 1980, the IMF notes that the economic performance in many countries is affected by 'structural impediments' among which rigidities in wage-setting systems and protectionist measures (IMF 1980). In a main report from 1985 (IMF 1985), two kinds of structural rigidities are identified as the cause for the difficult European recovery in the aftermath of the two oil shocks: 1) a resistance to change in the industrial structure, which should be addressed through deregulation and better education policy; and 2) a structural rigidity in the functioning of the labour markets, which would require measures aimed at reducing wage costs. The term 'structural reform' appears explicitly in 1993, as referring to the third pillar of any sound economic policy, besides monetary and fiscal instruments. The report points to the necessary removal of constraints for private enterprises through deregulation, calls for tax reforms and liberalized financial markets and deplores the lack of progress in increasing the flexibility of labour markets through measures attempting to limit the control on wages or job protection, and to reduce the bargaining power of the trade unions. Finally, the



report also recommends increasing labor productivity through improved training and education (IMF 1993).


Similarly, the OECD points to the need for economies to improve their ability to undergo 'structural change' by removing the 'plethora of regulations, controls, and other impediments to the unfettered working of market economies' (OECD 1980: 11). The OECD also speaks of the importance of maintaining an open trading order and of implementing measures to support productive investment. In other words, the stress should be put on 'supply forces' (OECD 1983). Later in the 1980s, the notion of SR is portrayed as a solution to reduce unemployment, improve business confidence, and to boost investment. Among the important 'structural problems' faced by many countries are protectionist policies, rigidities in the labour market, tax distortions, industrial subsidies (state intervention), impediments to competition, and inefficiency in public sectors (OECD 1988).

Three points should therefore be emphasized here which are relevant for understanding SR in today's EU macro-economic governance. First, the notion of SR conveys the idea that reform should not be about changing only the substance of policies, but they ought to change the very nature of the economic, institutional and, arguably, political structures in which policy is operated. This is in tune with the fact that the historical roots of SR originate in a paradigm change of historical significance, namely the rejection of Keynesianism and the rise of neoliberalism as a response to the oil shock in the late 1970s and early 1980s. Second, SR were always conceived as a corollary to fiscal austerity. Again, their genealogy goes back to debt crises and the perceived need to drastically reduce public expenditure while shifting the commands of the economy from the state to market actors. The conditionality mechanism brings evidence that financial support and debt relief are inextricably linked to SR. Third, while the policies referred to as SR are largely in line with the tenets of neoliberalism⁷, they are thought of conducive to growth and economic recovery. This idea is summarized in the synthetic notion of expansionary (fiscal) consolidation (Blyth 2013: 212-16).

3.2 Structural reforms in the Eurocrisis

How does the old and more recent history of SR shed light on the ways in which the notion has been understood and has possibly changed in the current context of the Eurocrisis⁸? While far from clear-cut, it gives us helpful hints to refine our hypothesis. Comparing the reference to SR in the conclusions of the European Council in 2013 and 2016, it is striking that it combines general objectives and more specific measures:

'Fiscal consolidation and restoring financial stability need to go hand-in-hand with well-designed structural reforms aimed at promoting sustainable growth, employment and competitiveness and the correction of macroeconomic imbalances. In this context, the European Council recalls the importance of shifting taxation away from labour, where appropriate and recognising Member States' competences in this area, as a means of contributing to increasing employability and competitiveness'. (Council, 2013)




'The European Council endorsed the policy priority areas of the Annual Growth Survey: re-launching investment, pursuing structural reforms to modernise our economies, and conducting responsible fiscal policies (...) The European Council notes the Commission consultation on social issues and stresses the importance of well-functioning labour markets and welfare systems'. (Council, 2016)

On the one hand, SR are associated with and shall lead to broader objectives, namely fiscal discipline, on the one hand, and growth – notably through investment – on the other. While, in 2013, the issue of taxation on labour is explicitly mentioned, the reference to labour markets and welfare systems is more vague. Overall, SR are presented as the key vector to economic and social 'modernisation'. The 'Five President Report' is also interesting because it outlines a more long-term view of the EU's policy agenda. Here, SR are defined as 'reforms geared at modernising economies to achieve more growth and jobs. That means both more efficient labour and product markets and stronger public institutions.' (Five Presidents' Report, 2015). The versatile definitions of SR seem to crystalize more or less explicitly on an agenda which, as argued by Lebaron, has stabilized in the past decades on three main areas:

'The liberalization of goods and services markets (which implies the opening to competition and the partial total privatisation); the flexibilization of labour markets (which aims at strengthening incentives to work such as change in legislation, minimum wages, working time, etc.); and finally, the decrease of public spending, in particular in the social realm (reduction of the alleged generosity of public pension systems, healthcare, etc.) and of "fiscal pressure" on firms and "generators of wealth".' (Lebaron 2014: 5).

At the same time, the formulations, especially the most recent ones, remain broad and vague enough to include a whole range of – yet to be defined – more specific policy measures. It is worth noting, though, that the reference to labour markets is very salient.

While the call for SR constitutes a ubiquitous mantra, they do not constitute an unquestioned dogma. In fact, the longitudinal approach shows that their increasing salience in economic and political discourse cannot be separated from on-going debates and assessments about their consequences and efficiency in bringing about economic recovery. As early as in 1989, the importance of the sequencing of structural reforms was already pointed out (Edwards 1989). Nowadays, there are signs of dampening enthusiasm for SR within the institutions which had promoted them. Since the start of the Great Recession in 2008 especially, the IMF has proved more favourable to demand-side policies and growth stimulus (Ban 2015). For his part, Broome finds that 'rather than promoting "one-size-fits-all" structural reforms for borrowers facing different economic challenges, the IMF has shifted "back to the basics" with a narrower focus on fiscal consolidation' (Broome 2015: 161). More recently, the OECD has put the emphasis on the context of weak demand and low inflation in the Euro area. Speaking of the impact of structural reforms, the report highlights that 'while the bulk of evidence indicates that positive channels dominate the negative ones in



normal times, it may no longer be true when reforms are introduced at an unfavorable stage in the business cycle' (OECD, 2016: 68). The report adds that reforms aimed at reducing the cost of labor, raising incentives to take-up work, and enhancing competition in product markets may have contractionary effects on demand during downturns. It concludes that, when demand is weak, demand-side policies, including more public spending (on unemployment benefits, active labour market policies, childcare, R&D) can mitigate the negative impact from these reforms in the short run. Similarly, the IMF has recently stressed that '[...] demand support can increase the effectiveness of structural reforms, either by bringing forward their long-term gains or by alleviating their short-run costs' (IMF, 2016, p. 1). Interestingly enough, the most steadfast supporters of the 'Washington Consensus' seem to be the EU institutions, as exemplified by the adjustment programmes in Latvia and Romania which have been a prelude to the Eurocrisis in 2007-2009, where the ECB and European Commission have promoted stricter conditionality and tougher reforms than the IMF (Lütz and Kranke 2014). This prompted certain scholars to talk about a 'Berlin-Washington Consensus' (Fitoussi and Saraceno 2013). To what extent does this still hold today?

4. THE EUROPEAN SEMESTER: TOWARDS IDEATIONAL CHANGE?

4.1 The hard core and fuzzy contours of structural reforms

The content analysis of the main documents produced by the EU institutions in the framework of the European Semester provide evidence that the ambiguities as to the nature and purpose of SR have allowed a progressive redefinition of priorities in the EU's agenda. A first inductive analysis of the EU's broad economic priorities as they appear in the AGS (2011-2016) allows to distinguish between three periods. In 2011, fiscal consolidation was clearly the top priority, with structural reform and 'growth enhancing measures' as second and third objectives. From 2012 to 2014, the objectives remained very stable: while 'growth-friendly fiscal consolidation' still ranked first, it was accompanied by a broader set of objectives, namely 'restoring normal lending to the economy', 'promoting growth and competitiveness', 'tackling unemployment and the social consequences of the crisis' and 'modernising public administration'. Finally, in 2015 and 2016, the AGS refocused on only three main objectives with investment emerging as the top priority, structural reforms remaining central and 'fiscal responsibility' coming only third. This progressive shift is accentuated by the gradual autonomization of the notion of investment over time with its number of references not connected to SR increasing from 21 in 2011 to 62 in 2016 in the EU-wide documents. This suggests that investment, in line with the official discourse of the EU institutions, starts to progressively become a fully-fledged cornerstone of the EU Semester besides fiscal consolidation and SR.

A second observation is that the AGS does not offer a consistent understanding of the role of SR in the broader economic agenda thus making the underlying economic reasoning arguably obscure. Table 1 reports the explicit causal relationship between SR and other objectives with could be detected in the successive AGS.

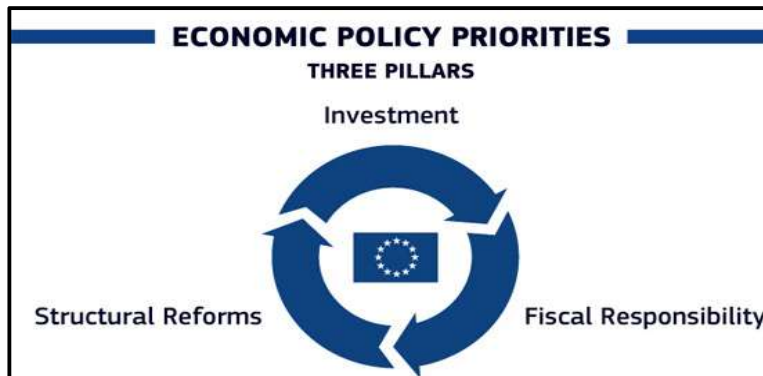
Table 1. Explicit causal relationships between structural reforms (SR) and other objectives in the AGS (2011-2016)

2011	Fiscal consolidation and SR > growth
2012	SR > efficiency, adjustment, growth, competitiveness
2013	SR > growth
2014	SR > investment, competitiveness and productivity
2015	SR > sustainability of public finances and investment
2016	SR > upward convergence

Data: Annual Growth Survey (2011-2016)

The purpose of SR fluctuates in tune with the discursive turn to investment of the Barroso Commission from the autumn of 2014 on. Moreover, several positive objectives are used interchangeably (e.g. growth and competitiveness), and it is not clear whether SR facilitate or are facilitated by fiscal consolidation. This is confirmed by the way in which the EU Commission itself has theorized the circular interaction and mutual reinforcement between fiscal consolidation, SR and investment. As Figure 1 shows, it is impossible to disentangle causal relationships or a sense of hierarchy among the three priorities.

Figure 1: Policy objectives as defined by the European Commission



Source : European Commission, <http://ec.europa.eu/>

This unsettled puzzle was echoed in a conference hosted by the German Finance Ministry on 25 March 2015 entitled 'Structural Reforms and Fiscal Consolidation: Trade-Offs or Complements?'. In his speech, W. Schäuble claimed that 'there is no trade-off between fiscal consolidation and structural reforms, particularly labour market and welfare reforms. On the contrary, they typically complement each other'¹⁹. Yet, as from the 2015 cycle of the Semester, the EU Commission seemed to admit the existence of a trade-off by granting a number of Member States (including France and Italy) more flexibility regarding deficit rules in exchange of the commitment to engage with SR.

We explored how key officials in charge of the formulations of the AGS and formulations of the CSRs, or in their implementation at the national level subjectively understood the notion of SR (table 2). We were struck by their frequent immediate reaction of surprise which translated either in laughs or obvious embarrassment. Most interviewees expressed uncertainty about the nature of the question, before making a conscious decision about whether they were going to give a politically correct or incorrect answer.

Table 2. Explanations on structural reforms by EU and national officials

Commission official 1 (DG EMPL)	<p>"What is a structural reform? I don't know what you mean (...)</p> <p>In my view, Member States can do what they want in order to reach these objectives. And they can do it by changing the law on pensions, on employment protection legislation, etc. But is this really structural? (...) There are overarching ideas, for instance less taxation on work, or reforming EPL, or equal pay for equal work, but every country can put its own reform forward"</p>
Commission official 2 (DG EMPL)	<p>"Well, in my view, a structural reform is a reform that keeps on having an effect (...) the Work Security Act in the Netherlands, that should be considered as a structural reform because it changes the way the economy works...is that what you mean?"</p> <p><i>(Laughs)</i></p>
Commission official 3 (DG ECFIN)	<p>"Wow... what type of answers did you get? (...) It is a type of reform that goes deeper than one-year programme. Issues of institutional nature where long-standing customs are impeding objectives in terms of internal market or EMU, long-term issues such as economic or labour market issues. The emphasis has changed over times. It used to be more on taxation, it is now more on investment"</p>
Commission official 4 (SECGEN)	<p>"It is a government policy reform which is changing a certain policy field to address a certain policy objective. It has a fact-based analysis"</p>
Commission official (European Semester Officer 1)	<p>"It's an interesting one!" <i>(laughs)</i> it's the eternal question of reforms to the basic underlying functioning of your economy that's is gonna make it hopefully more efficient and more likely to produce growth and jobs (...) reforms to enable your various markets to function in a way that is supportive of growth and jobs but growth and jobs need to be sustainable and inclusive so then you start hanging all the Christmas tree elements in terms of social and environmental policy"</p>
Commission official (European Semester Officer 2)	<p>"Globally, it is about economic reforms which increase growth and employment and enhances competitiveness (...) it is a wrong debate to know whether a reform is a structural reform of not. Structural reforms are known for being negative and European. 'Reform', this is positive. I have not seen any difference to be honest"</p>
Belgian Official	<p>"Can I have a joker? <i>(laughs)</i> I have never thought about it deeply. It belongs to the economic and reform package that lead to growth, competitiveness, and all that. But all the reforms are included in that, and this is where I have a problem. What</p>

	we see is that ECOFIN feels it is competent for all policy areas, not only employment and social policy, but also environment, etc."
British Official	"When you speak of structural reform, I am not sure what you want me to talk about exactly (...) The UK is seen as a very mature and successful economy so there is no structural reform in the grand scale but there is now apprenticeship, skills, childcare..."
Dutch Official	"I think there's a common understanding that we need to modernize our economies. But what does it mean? And what does competitiveness mean? (...) it is just that there are very logical differences, and you know it is very difficult to make the French do something about their labour regulations but a different question is 'do they really need to change their labour regulations?'"
French Official	"Ask the Commission! » <i>(laughs)</i>

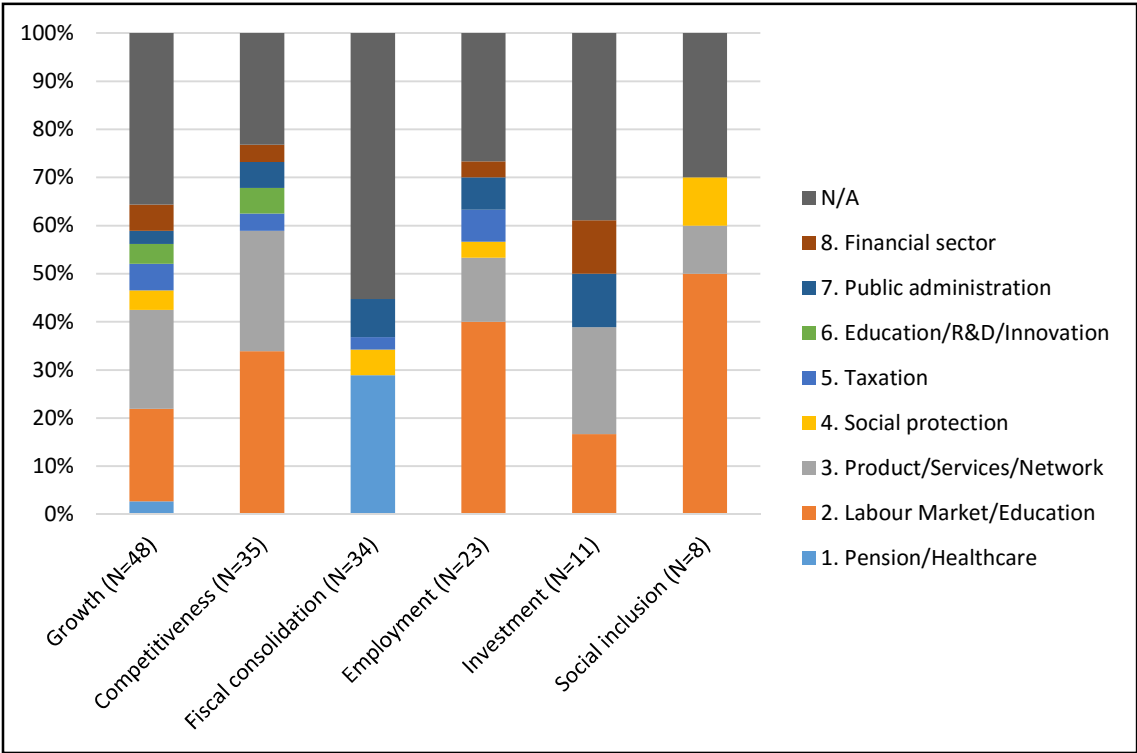
Without pretending to any representativeness, table 2 illustrates some of the most typical answers we received and highlight three sets of recurring elements. First, SR reforms should have positive long term effects leading to economic recovery but their nature remains unclear, different from country to country, and partly contentious. At the same time, a consistent core of specific measures can be identified, especially labour market flexibilization which was almost systematically mentioned. Furthermore, SR are seen as a 'European' notion with little ownership at the national level.



In order to further tease out the substantive meaning of SR, we looked at which specific areas and instruments were attached to structural reforms in all EU-wide documents (see Figure 2). This leads us to a number of interesting observations.

First, SR are pursuing a fairly wide range of six broad policy objectives – ranging from competitiveness to social inclusion – which raises the issue of potential conflict


Figure 2. Policy solutions and instruments per policy goal associated with structural reforms



Data: Annual Growth Survey, Alert Mechanism Report, Euro-Area Recommendations (2011-2016). Percentage of references comprising the term 'structural reform(s)'.

between them. Second, when looking at the policy instruments lying behind these goals, it is interesting to stress that a significant share of our references does not specify the kind of reforms attached to it, which is consistent with the idea that SR is, to a large extent a self-explanatory empty signifier. Third, labour market reforms and the liberalization and deregulation of products and services markets stand for the bulk of policy solutions for nearly all of these objectives. The remaining objective, namely fiscal consolidation, is more strongly associated with reforms of pensions and healthcare.

Our first set of data thus gives a complex picture with regard to Hall's conceptualization of change. On the one hand, a discernible change in the broad policy objectives of SR and their hierarchy seems to indicate at least a second – if not third – order type of change. On the other hand, when looking at the main policy solutions and instruments attached to these objectives, continuity seems to dominate. The set of typical SR inherited from the 'Washington consensus' is consistently central,



especially labour market reforms. Furthermore, when investment is invoked as an objective, specific SR tends to remain largely undefined, or related to said agenda, that is 1/ products, services and networks liberalization, 2/ labour market reforms, 3/ the reform of public administration.

4.2 Towards a new policy strategy?

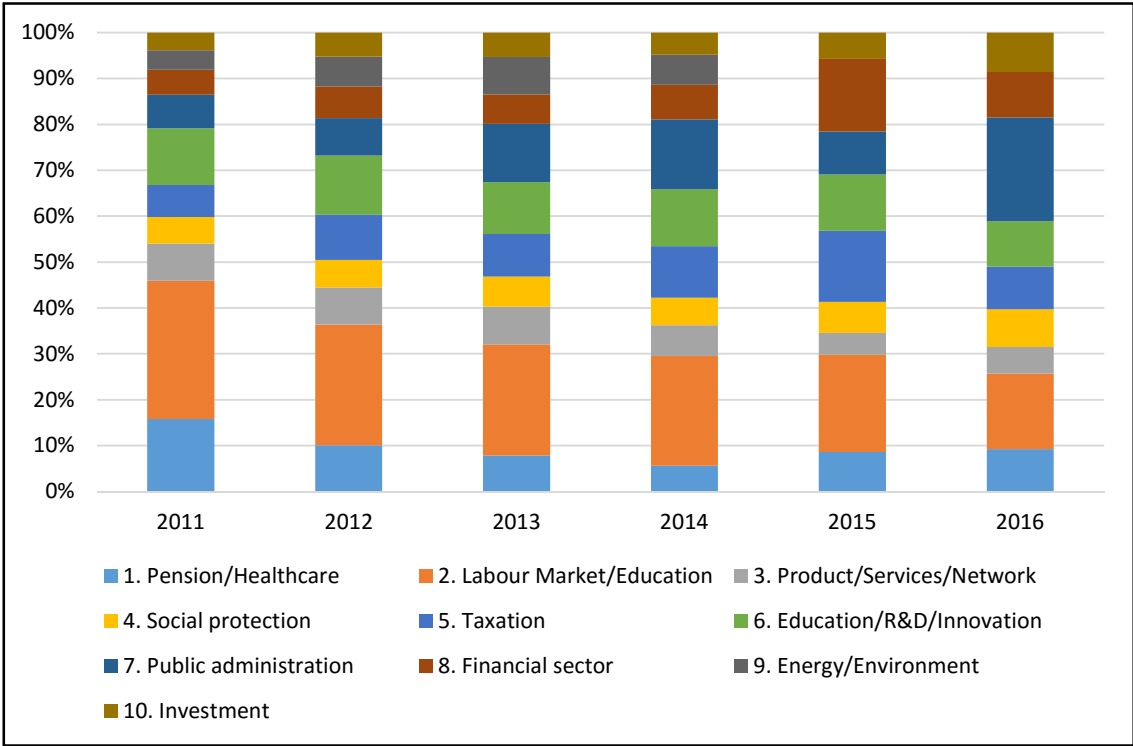
Whilst our qualitative assessment of the policy priorities of the European Semester indicates a progressive shift towards more consideration for demand-side policies and investment since the coming into office of the Juncker Commission, the quantitative coding of the CSRs provides more specific data on the type of solutions and instruments which are not only mentioned in a general framing of the European policy agenda, but which are specifically indicated as relevant for specific countries to undertake. Again, the data reflects a mitigated picture.

Although the presence of policy instruments for stimulating – either private or public – investment does increase over time, it is difficult to see it as prompting significant change due its limited extent. What we observe is rather a rebalancing in the 'policy toolbox' with labour market reforms as well as reforms of pensions and healthcare gradually losing their initial centrality to the benefits of other reforms pertaining mainly to public administration and the financial sector. Environmental issues seem to have disappeared from the CSRs, probably as a result of the simplification and re-focus of the Semester undertaken in 2015. Social protection, education/R&D, and taxation exhibited limited variance over time. This seems to indicate at best a second order change with a new strategy geared towards more investment with the addition of a limited number of new instruments to the initial agenda since 2011.



A further way to refine our analysis has been to trace the type of policy instruments and solutions which account respectively for a programme of social retrenchment (read austerity) or for a new programme of social investment which has been called for by scholars of the welfare state for over a decade and embraced by the EU Commission in its Social Investment Package in 2013. Figure 4 shows that the latter is

Figure 3. Policy solutions and instruments in the CSRs (2011-2016)

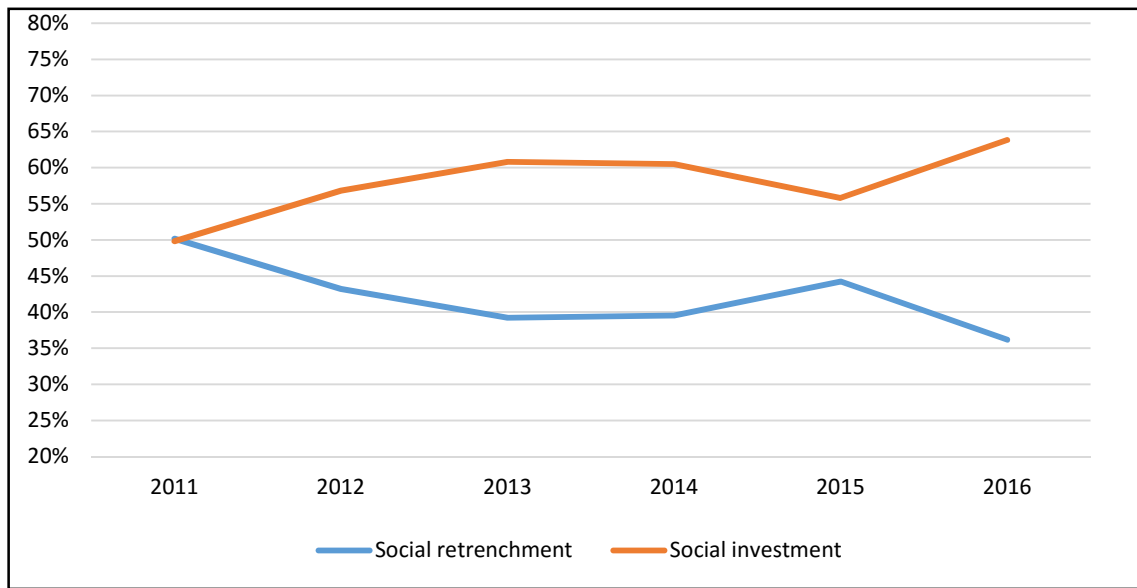


Data: Country-specific recommendations for all EU Member States under the European Semester (2011-2016). Percentage of recommendations related to a given socio-economic policy programme.

gaining ground over the former over time. While retrenchment and investment account for approximately respectively half the CSRs in 2011, they end up standing for respectively 36 and 64 per cent of all CSRs in 2016 thus suggesting a move towards a more social friendly agenda. This displaces the question from the question of the agenda, to that of implementation. While the EU Commission admonishes the Member States to conduct both consolidation and investment, the question remains as to how governments respond in the face of a perceived trade-off.

The data shown in Figure 4 is therefore open for a less optimistic interpretation: the more social retrenchment occurs, the more visible the social consequences of the crisis become thus prompting learning among policy makers. Moreover, the more governments embrace reforms rooted in social retrenchment, the less likely they are to receive recommendations on that area in the following years. In turn, the formulation of repeated recommendations on social investment means that many EU countries have lacking policies in this regard.

Figure 4. Prominence of two distinctive socio-economic policy programmes (2011-2016)




Data: Country-Specific Recommendations for all EU Member States under the European Semester (2011-2016). Percentage of recommendations related to a given socio-economic policy

5. DISCUSSION AND CONCLUSIONS

One year after it took office, the EU Commission under the Presidency of J.-C. Juncker communicated its ambition to 'revamp' the European Semester. From the point of view of public communication, this term seems somewhat awkward since it suggests that things would change only at the surface whereas expectations for tackling the weak output legitimacy of the EU's macro-economic governance were strong. The objective of this paper has been to assess the nature and extent of ideational change exhibited in the outputs of the EU's governance framework for macro-economic and social policy known as the European Semester. The notion of SR has proved to be a particularly relevant focus. Although pervasive, its meaning seems to be often taken for granted and it remains under-researched in the context of the Eurocrisis. Its vague meaning seemed to offer an interesting lens for possible ideational change. This section outlines the main findings of our study and connects them to ongoing scholarly debates.


For a start, we have sketchily traced the origins of the notion of SR back to the adjustment programmes imposed by the IMF through conditionality to creditor countries around the world from the early 1980s onwards. Although such programmes have varied greatly across countries and regions, a core of policy solutions prescribed is clearly rooted in the neoliberal belief that unfettered markets and supply side policies are the best way towards economic recovery whereas state intervention and regulation constitute obstacles to growth. In several respects, this conception was embraced by the OECD and the EU institutions which have promoted especially



market liberalization and deregulation, with a strong emphasis on labour markets, in a strategy geared towards internal devaluation. The neoliberal conception of SR therefore constitutes a strong policy legacy as exhibited by the harsh adjustment programmes adopted in Latvia and Romania under the Troika in 2008-2009. Recently, though, there have been signs that the OECD and the IMF, which have both been key idea suppliers of the EU Commission, have started to communicate more critical assessments of the effects of SR, especially in the short-term, that is in Europe's current deflationary situation.


In the context of the Eurocrisis, we find that the notion of SR was malleable enough to accommodate a certain degree of change. A re-ordering of the Semester's broad policy objectives had clearly happened between 2014 and 2015 with the rise of investment and the relegation of fiscal consolidation, while SR have remained at the centre. The ambiguity of the notion SR, then, resides precisely in that some SR can be geared towards fiscal consolidation whereas others can be geared towards investment. Yet, when we look at the more specific solutions and instruments attached to the various objectives, we observe that the same instruments (such as labour market reforms) are meant to achieve a range of various objectives, and the causal relationships between SR and other economic concepts (such as fiscal consolidation, growth or investment) remain underspecified and conceptualized as a circular virtuous circle offering no hints as to where to start. This ambiguity was well reflected in the interviews we conducted with key EU as well as national officials involved in the Semester. This raises the question as to whether such an ambiguity is 'constructive', in reference to Henry Kissinger's famous phrase and an idea which was also explored by scholars of political science for dealing with incremental policy change (Palier 2005). Contentious debates among experts and policy makers have arisen as to whether the various objectives of the Semester are not contradicting each other, thus feeding stagnation. Many have raised doubts that austerity and growth-friendly policies such as investment can be pursued *at the same time*. This echoes the old debate about the sequencing of reforms, and whether 'expansionary consolidation' can be empirically grounded (Blyth 2014). While raising all desirable policy outcomes simultaneously, the EU institutions leave national governments in the delicate position of dealing with difficult trade-offs: how do you create fiscal space for investment in times of low growth and under the pressure of deficit rules? We further underline a paradox: while the contours of SR are fuzzy enough to accompany change in discourse, we also identified a 'hard core' of policy instruments which is in tune with the typical legacy of SR with labour market reforms, products and services markets liberalization and the reform of public administration taking the lion's share of all references to SR in our corpus.

Looking more into detail at the policy solutions and instruments in the CSRs, the most significant output of the Semester clearly geared towards implementation in the various national arenas, confirms our initial suspicion that potential second order change must be put into perspective. From 2011 to 2016, we observe a relative



stability. Policy solutions aiming at investment were not absent at the outset of the European Semester and their share in all policies has not increased dramatically. This means that the strong appeal at the level of 'communicative discourse' towards the public, to borrow Schmidt's concepts (Schmidt 2006) has been only accompanied by a marginal emergence of new solutions and instruments mentioned in the narrower realm of 'coordinative discourse' connecting the EU institutions to national policy makers. In fact, the reform of public administration (covering deregulation/better regulation, the restructuring/privatization of state-owned enterprises, the improvement of public employment services for jobseekers, the liberalization of public procurement, and the reform of civil justice) is the theme which exhibits the greatest progression since 2011. First order change in instruments, then, has happened mainly through incremental adaptation of the available toolbox. In historical institutionalist terms, timid shift to investment has occurred partly through the 'conversion' of existing instruments – e.g. the re-direction of cohesion policy as resources available for investment and structural reforms – and partly through the 'layering' of new instruments over the old ones – e.g. the creation of the European Fund for Strategic Investments under the leadership of Commission President Juncker. When distinguishing between two distinctive strategies for socio-economic policy programmes, namely social retrenchment vs social investment, we find that the latter is gaining ground in the recommendations made in the Semester. The question remains as to what extent a social investment strategy is realistic if rooted in constraining austerity. So far, the most striking comparative feature of policy making is the labour market reforms, especially in countries considered the laggards of continental Europe, namely Belgium, France and Italy, which are following suit to Germany and, beyond, to the UK which has been a pioneer in that regard. In contrast, the evolution of the level of investment in the realm of welfare (including research and education) does not seem to be in tune with a vigorous social investment strategy.

All in all, our findings partially support the hypothesis of significant change from the fast burning to the slow burning stage of the Eurocrisis. The ambiguity of the policy agenda underlying the notion of SR is both destructive and constructive. This is so because we still do not know how retrenchment and investment work together, what the right sequencing is, and whether they are not most of the time contradicting each other. A sociological investigation of the expert cycles which play the role of idea suppliers for the EU institutions, as suggested by Tsingou, Seabrooke and their colleagues, was beyond the scope of this paper. Yet, our findings bring us back to Hall's suggestion that first and second order change mainly occur within the state (or governance system in the case of the EU) while third order change requires a supply of new ideas from the wider public debate and pressure from the electoral arena. At the moment, the debate over the policy content of the European Semester and the relevance of SR has mainly happened among the confined sphere connecting the EU institutions and international organizations (especially the IMF and the OECD) and experts, in particular economists. We can think of a number of EU think tanks like Brueghel (Coman and Ponjaert 2015) or the comments from world class economists like J. Stiglitz




or P. Krugman. Yet, in national polities, public debate is rarely going further than occasional contestation of austerity measures, on the one hand, ad hoc decisions by national governments when dealing with trade-offs between fiscal discipline and investment, on the other. Electoral pressure, though, seems to be increasing at rapid pace as European politics is witnessing a wave of populism and the return of nationalism.


Ultimately, this brings us back to question of how to explain the resilience of contemporary economic liberalism and of long standing ideas such as SR. Schmidt and Thatcher (2015) provide several complementary lines of analysis. One is the malleable nature of the neoliberal agenda and the ways in which it succeeds in hybridizing by absorbing and neutralizing challenging ideas, notably those stemming from social democracy. This has been the case, for instance, with flexicurity and other positively connoted notions. Whether we are currently witnessing the absorption of social investment into the neoliberal agenda, or, on the contrary, a major shift towards 'upward convergence' (AGS 2016) remains open to interpretation and to be seen in future cycles of the European Semester. The controversy between those who claim that there has been an 'economization of social policy' (Crespy and Menz 2015) and those who find a 'socialization of the European Semester' (Zeitlin and Vanhercke 2015) is currently unsettled. The possibility of substantive change is also at the heart of current political battles within the EU institutions themselves, not least the European Parliament. A further explanation in this debate relates the strength given to a set of ideas through their institutionalization. A frequent argument raised in scholarly assessments of the European Semester points to the asymmetry between 'hard' stringent mechanisms for the enforcement of fiscal discipline vs the soft governance which still prevails in the realm of social policy, but also to the increasingly blurred boundaries with the actors in charge of economic and financial issues asserting their institutional power position over those in charge of social policy, at least at EU level. A claim which could be tested in future research is that the deeper institutionalized policy ideas are, the higher the threshold of politicization (i.e. contestation in the public sphere) is for allowing substantial or third order change. In the meantime, we will have to turn our attention towards implementation at national level to determine whether the EU is dealing with a destructive or constructive ambiguity of its socio-economic agenda.



References

- Armstrong, K. (2013). "The New Governance of EU Fiscal Discipline." Jean Monnet Working Paper Series(29).
- Babb, S. (2012). "The Washington Consensus as transnational policy paradigm: Its origins, trajectory and likely successor." Review of International Political Economy 20(2): 268-297.
- Ban, C. (2011). Neoliberalism in translation. Economic ideas and reforms in Spain and Romania, University of Maryland.
- Ban, C. (2015). "Austerity versus Stimulus? Understanding Fiscal Policy Change at the International Monetary Fund Since the Great Recession." Governance 28(2): 167-183.
- Bekker, S. (2015). "European socioeconomic governance in action: Coordinating social policies in the third European Semester." OSE Paper Series.
- Bekker, S. and I. Palinkas (2012). "The Impact of the Financial Crisis on EU Economic Governance: A Struggle between Hard and Soft Law and Expansion of the EU Competences?" Tilburg Law Review 17(2): 360-366.
- Blyth, M. (2013). Austerity: The History of a Dangerous Idea. Oxford, Oxford University Press.
- Braun, B. (2015). "Preparedness, Crisis Management and Policy Change: The Euro Area at the Critical Juncture of 2008–2013." British Journal of Politics and International Relations 17(3).
- Braun, B. (2016). Infrastructural power: The ECB's push for institutional change in the European securitisation market. Ideas, Interests, Institutions and Change: The EMU from Delors to Schäuble. Salzburg.
- Broome, A. "Back to Basics: The Great Recession and the Narrowing of IMF Policy Advice." Governance 28(2): 147-165.
- Coman, R. and F. Ponjaert (2015). Epistemic power over ideas after a fast-burning crisis – the case of the ecology of Brussels-based think tanks Enlighten – WP 1 Workshop, Université Libre de Bruxelles.
- Coman, R. and F. Ponjaert (2016). From one semester to the next: Specificities and adjustments in shaping the underlying legitimacy mechanisms. 23rd Council of European Studies, Philadelphia.
- Crespy, A. and G. Menz, Eds. (2015). Social Policy and the Euro Crisis. Quo Vadis Social Europe? Basingstoke, Palgrave MacMillan.
- Crouch, C. (2011). The strange non-death of neo-liberalism. Cambridge, Polity Press.
- Dehousse, R. (2015). The New Supranationalism. ECPR General Conference, Montreal.

- 
- Edwards, S. (1989) "On the Sequencing of Structural Reforms." Working Paper No. 3138.
- Fitoussi, J.-P. and F. Saraceno (2013). "European economic governance: the Berlin–Washington Consensus." Cambridge Journal of Economics 37(3): 479-496.
- Hall, P. A. (1993). "Policy Paradigm, Social Learning and the State : The Case of Economic Policy in Britain " Comparative Politics 25(3): 275- 296.
- Hemerijck, A. (2014). The Euro-crisis - Welfare State Conundrum. The Eurozone Crisis and the Transformation of EU Governance. M. J. Rodrigues and E. Xiarchogiannopoulou, Ashgate: 137-156.
- IMF (1980). World Economic Outlook. Washington.
- IMF (1985). World Economic Outlook. Washington.
- IMF (1993). World Economic Outlook. Washington.
- Lebaron, F. (2014). "Réformes structurelles." Avoir/Agir 2014/4(30): 5-8.
- Lora, E. (2012) "Structural Reforms in Latin America: What Has Been Reformed and How to Measure It." Inter-American Development Bank 346
- Lütz, S. and M. Kranke (2014) "The European rescue of the Washington Consensus? EU and IMF lending to Central and Eastern European countries." Review of International Political Economy 21(2): 310-338.
- OECD (1980) "Economic Outlook." 28.
- OECD (1983) "Economic Outlook." 34.
- OECD (1988). Economic Outlook. Paris. Palier, B. (2005). Ambiguous Agreement, Cumulative Change : French Social Policy in the 1990s Beyond Continuity, Institutional Change in Advanced Political Economies. K. Thelen and W. Streeck. Oxford, Oxford University Press: 127-144.
- Schmidt, V. (2016). "The 'New' EU Governance: 'New' Intergovernmentalism versus 'New' Supranationalism plus 'New' Parliamentarism. ENLIGHTEN WP1 workshop. Universit Libre de Bruxelles.
- Schmidt, V. A. (2006). Democracy in Europe. The EU and National Polities. Oxford & New York, Oxford University Press.
- Schmidt, V. A. (2010). "Democracy and Legitimacy in the European Union Revisited: Input, Output and 'Throughput'." Political Studies 61(1): 2-22.
- Schmidt, V. A. (forthcoming). "Reinterpreting the Rules by Stealth in Times of Crisis: the European Central Bank and the European Commission." West European Politics.
- Schmidt, V. A. and M. Thatcher, Eds. (2013). Resilient Liberalism in Europe's Political Economy. Cambridge, Cambridge University Press.



Schmidt, V. A. and M. Thatcher (2013). Theorizing ideational continuity: the resilience of neo-liberal ideas in Europe. Resilient Liberalism in Europe's Political Economy. V. A. Schmidt and M. Thatcher. Cambridge, Cambridge University Press: 1-50.

Seebrooke, I. and E. Tsingou (2014). "Distinctions, affiliations, and professional knowledge in financial reform expertgroups." Journal of European Public Policy 21(3): 389-407.

Tsingou, E. (2014). "Club governance and the making of global financial rules." Review of International Political Economy doi: 10.1080/09692290.2014.890952.

Vanheuverzwijn, P. (2014). "Promoting the agenda for a social Economic and Monetary Union: attention, credibility, and coalition-building" Bruges Political Research Papers(37).

Zeitlin, J. and B. Vanhercke (2014) "Socializing the European Semester? Economic Governance and Social Policy Coordination in Europe 2020." SIEPS Working Papers 2014:7.

Appendix – Coding policy instruments and socio-economic policy programmes related to structural reforms

Policy areas	Policy solutions/instruments mentioned in the CSRs	
	Social retrenchment	Social investment
Pension/healthcare systems	Gap between effective and legal pension age Link pensionable age to life expectancy Cost-effectiveness of the healthcare sector	Adequacy /Performance Gender equality Active ageing
Labour Market/Education	Wage indexation/wage-setting system Labour costs/tax wedge Rigidity in employment protection legislation	Transition from school to work (incl. apprenticeships and work-based learning) Skills mismatch Employability Childcare Segmentation
Products & Services Markets/Network industries	Competition Deregulation	Investment in network infrastructure
Social protection	Targeting social assistance Link between assistance and activation Cost-effectiveness Disincentives to work	Adequacy and access of social protection systems Childcare
Taxation	Shift away tax from labour Tax base (incl. VAT) Efficiency of tax administration	
Education/R&D/Innovation	Cost-effectiveness Deregulation to foster innovation	Early school leaving Access and quality of training Skills More spending on R&D Cooperation between business and universities

Public administration	State-owned enterprise (incl. privatization)	Public employment services Civil justice system
Financial sector	Insolvency framework Lack of competition	Stability of the housing market Access to finance for SMEs and R&D
Energy/Environment	Energy mix Energy (cost-) efficiency Cross-border interconnections	
Investment		<ul style="list-style-type: none"> - Public spending in infrastructure, R&D, education, social policy¹⁰ - Private investment

¹ This approach constitutes a common framework for the research conducted by scholars involved in the collaborative research project ENLIGHTEN (Horizon 2020 - 2015-2018).

² This is echoed by the work of Tsingou and Seebrooke on the role of experts and the question of who supplies policy makers with ideas at various stages throughout a crisis.

³ All the CSRs were broken down in sub-recommendations in case they were referring to different reforms. As a rule, it was decided to split the CSRs whenever a new action verb was identified. We left out the *considérants*.

⁴ It should be noted that, insofar as we already had a clear idea at this stage of what SR were referring to, the fact that the CSRs made no mention of the term "structural reform(s)" was not deemed problematic for the analysis.

⁵ The interviews were conducted with key officials from the European Commission as well as interviews from four Member States which can be constitutive as the socio-economic 'core' of the EU, namely Belgium, France, the Netherlands and the UK.

⁶ The mandate of this working party was defined very broadly. 'i) Control of demand and inflation, including the role of fiscal policy, monetary policy and prices and incomes policy; ii) Supply side policies, including policies affecting labour supply, investment, factor mobility and energy; iii) Allocation and distribution of resources, including public expenditure and revenue decisions, financing and analysis of major expenditure programmes.' (OECD, no date, p. 37).

⁷ 1. A confidence in the market as an efficient mechanism for the allocation of scarce resources.

2. A belief in the desirability of a global trade regime for free trade and free capital mobility.

3. A belief of the desirability, all things being equal, of a limited and non-interventionist role for the state and of the state as a facilitator and custodian rather than a substitute for market mechanisms.

- 
-
4. A rejection of Keynesian demand management techniques in favour of monetarism, neo-monetarism, and supply side economics.
 5. A commitment to the removal of those welfare benefits that might be seen as to act as disincentives to market participation (in short, a subordination of the principles of social justice to those of perceived economic imperatives).
 6. A defence of labour-market flexibility and the promotion and nurturing of cost competitiveness' (Hay, 2004 cited in Schmidt and Thatcher Schmidt, V. A. and M. Thatcher (2013). Theorizing ideational continuity: the resilience of neo-liberal ideas in Europe. Resilient Liberalism in Europe's Political Economy. V. A. Schmidt and M. Thatcher. Cambridge, Cambridge University Press: 1-50. Schmidt, V. A. and M. Thatcher (2013). Theorizing ideational continuity: the resilience of neo-liberal ideas in Europe. Resilient Liberalism in Europe's Political Economy. V. A. Schmidt and M. Thatcher. Cambridge, Cambridge University Press: 1-50. 2014: 5).
 - ⁸ The broad term Eurocrisis is deliberately used to reflect the multi-faceted nature of the crisis affecting the EU, starting with the US financial crisis provoking a banking crisis in Europe, followed by a sovereign debt crisis threatening the Eurozone and eventually an economic recession feeding a broader social and even political crisis.
 - ⁹ Structural Reforms and Fiscal Consolidation: Trade-Offs or Complements?, Website Of *Bundesfinanzministerium*, retrieved from <http://www.bundesfinanzministerium.de/Content/EN/Reden/2015/2015-03-26-structural-reforms.html>
 - ¹⁰ Although unrelated to structural reforms, we deemed appropriate to also include these CSRs in the analysis so as to give a more nuanced and complete account of the EU's policy agenda.