Should the eurozone be less intergovernmental?

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The concept of intergovenmentalism

Definition according to the Oxford Dictionary of Politics:

Both a theory of integration and a method of decision-making in international organizations, that allows states to cooperate in specific fields while retaining their sovereignty. In contrast to supranational bodies in which authority is formally delegated, in intergovernmental organizations states do not share the power with other actors, and take decisions by unanimity.

Evolution of the Treaty framework

- *Structure in the EU are not perfectly intergovernmental nor supranational.*
- *Single European Act (1986) introduced an increased number of cases where the Council could take decisions by qualified majority related to the Single Market.*
- *Principle of subsidiarity became part of EU primary law in 1992.*
- *Lisbon Treaty introduced new voting method.*

EU economic governance framework: The beginnings

- *The fundamentals of the current economic governance framework: the Treaty of Maastricht in 1992.*
- *2 fundamental design features:*
  - € to be the currency of the Economic and Monetary Union (with exception of UK and DK)
  - Centralised monetary policy / decentralized economic policy
- *3 pillars of the Maastricht framework:*

Limits to government debt (60% of GDP) and deficit (3% GDP)

No bail-out clause and prohibition of central bank financing

Coordination of economic policy based on soft law instruments

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Intergovernmental approach prevailed during the crisis

- *The years after Maastricht have been characterized by an expansion in the scope of the European Union activity.*
- *The crisis brought further integration, but also the question of which model to follow: intergovermentalism (Union method) or supranationalism (Community method).*
- *The revisions in the framework of economic governance in Europe have largely followed an intergovernmental approach: favoured by the fact that national resources were committed.*
- *Community legislation integrated ex-post intergovernmental decisions (e.g. Two-Pack).*

Overhaul of economic governance framework after the crisis

FINANCIAL	Banking Union	✓ Single Supervisory Mechanism (SSM) ✓ Single Resolution Board (SRB) and Single Resolution Fund (SRF)	✓ S ✓ S (SRB) and I (financial arrangements of SRF)
	European System of financial supervision	✓ Macro-prudential: European Systemic Risk board ✓ Micro-prudential: European Supervisory Authorities (EBA, ESMA, EIOPA)	✓ S ✓ S
FISCAL	Stronger preventive arm SGP (Stability and Growth Pact)	✓ Expenditure rule, balanced budget rule ✓ Draft Budgetary Plan assessment	✓ S
	Stronger corrective arm SGP	✓ Debt Benchmark ✓ Swifter decision making process ✓ Enhanced surveillance	✓ S
	National fiscal frameworks	✓ National fiscal councils	✓ S
	Treaty on stability, coordination and governance	✓ Balanced budget rule ✓ Debt brake rule ✓ Automatic correction mechanism	✓ I (assigns a role to COM)
MACRO	MIP	✓ Prevention and correction of macroeconomic imbalances through the Macroeconomic imbalance procedure (MIP)	✓ S
CRISIS RESOLUTION MECHANISM	ESM	✓ ESM (European Stability Mechanism)	✓ I (assigns a role to COM)

S: rather supranational; I: rather intergovernmental

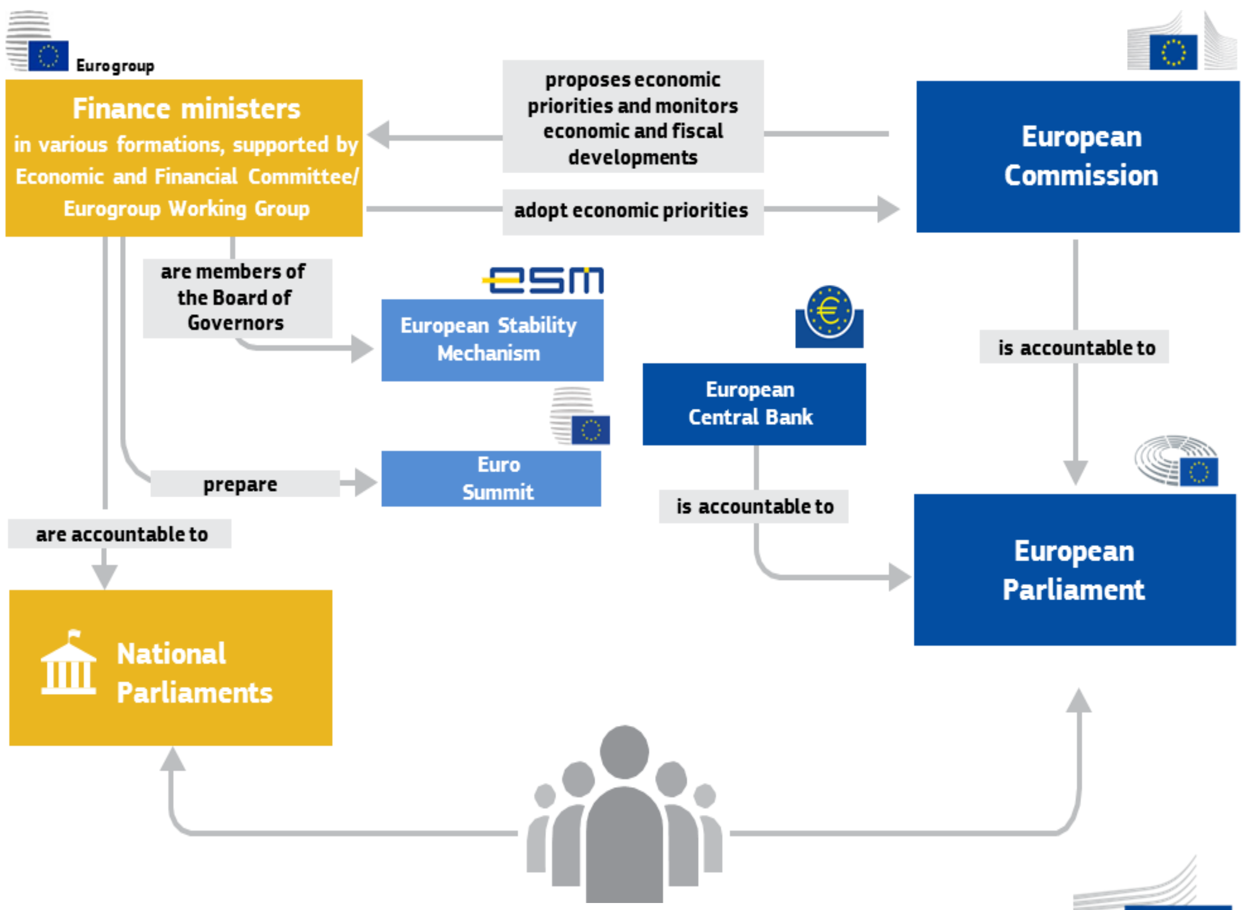
Institutional implications of the 'new' intergovernmentalism

- *European Council increased its role in day-to-day politics*
- *Council increased the role of policy-coordination as opposed to law-making; informal settings gained importance (Eurogroup, Eurogroup +)*
- *Structures outside of the EU legal framework (Euro Plus Pact; Treaty on stability, coordination and governance; ESM)*

Problems of intergovernmental set-up

- *Overlap between EU and national competences opens the way to conflicts over the direction of policy;*
- *Criticism by stakeholders that the system is too complex and opaque and therefore difficult to implement;*
- *Lack of democratic accountability at the appropriate level;*
- *Decision-making is based on "ultima ratio".*

A complex system



Driving role of big Member States for European integration

- *Traditionally, Germany and France have set the tone.*
- *Lately, the representative role of Germany (North) and France (South) has been questioned.*
- *Community method serves in particular smaller Member States (but they also like the veto right…)*

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Some recent Commission reform initiatives

Main aim: to progress in the EMU architecture, favouring solutions within the EU Treaties, to avoid and reduce fragmentation of the legal framework

- *Proposal for a European Investment Stabilisation Function and a Reform Support Programme*
- *Proposal to establish a European Monetary Fund*
- *Proposal to integrate the Treaty on stability, Coordination and Governance into the EU legal framework*
- *Communication on a European Minister of Economy and Finance*

Results of the June 2018 Euro Area summit

Discussions have taken account of the proposals presented by the Commission, though not always the supranational approach has been followed:

- *Agreement on European Stability Mechanism (ESM) providing the common backstop to the Single Resolution Fund;*
- *Start working on a roadmap for beginning political on the European Deposit Insurance Scheme (EDIS);*
- *Agreement on broad ESM reform: Strengthening the ESM with new roles and reform of instruments; but remaining intergovernmental for the time being;*
- *Continued discussions on the fiscal stabilisation capacity.*

Concluding remarks

- *No structure in the EU is perfectly intergovernmental or supranational, and integration often blends the two approaches.*
- *Increased intergovernmental elements in EMU architecture during the crisis.*
- *A cooperative approach on which the Community method is built can bring wins for all. But it requires trust which needs to be rebuilt.*
- *To achieve that, we need to focus on the higher interest and ideas which unify, communicate on goals and to create trust and, yes, be strict with those who do not comply with the club's rules.*
- *Continuing taking decisions under the "ultima ratio" in the future would be very risky.*

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