Perverse deeper integration? Legitimacy after the eurocrisis

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Content

1 Introduction

The economic, financial, institutional and legitimacy crises that have haunted the EU since 2008 – together generally referred to as the 'eurocrisis' - show the many ways in which the Economic and Monetary Union has been a flawed system ever since it started in 1992. As more and more steps have been initiated at EU level and more powers have been given to the EU following the adoption of six-pack, two-pack, Fiscal Compact and support programmes such as the EFSF and ESM, an old academic discussion over 'deeper integration' (Banchoff 1999, Marsh 2009) has emerged in current political discussions (Habermas 2011, Schäuble 2012, Westerwelle 2012). On closer examination, for example Schäuble acknowledges the relevance of strong national administrative structures. Yet, the predominant tone of the deeper integration debate is that more economic powers have to be shifted to 'Brussels' - e.g. to the Commission, to new European supervisory authorities for example in banking, and to the European Central Bank (ECB). Hence, in terms of framing of the political and academic debate, one of the major discussions the eurocrisis has triggered is that of centralization. Also in academia deeper integration is the preferred solution (Heipertz and Verdun 2010: 195).

One of the major discussions related to 'deeper integration' concerns the democratic accountability of these shifts in powers within the Eurozone area (AIV 2012). Firstly, if EU institutions and authorities accumulate powers, decision-making becomes further removed from citizens (*). Secondly, EU decision-making upgrades the roles of the Commission, ECB and other EU bodies, and therefore becomes perceived as being more 'technocratic'[1] and, hence, leads to increasing demands for additional 'democratic' controls (*). Thirdly, especially the calls for elevating parts of the Commission to European (finance and or economic) ministries have resulted in new pleas for granting more economic supervisory powers to the European Parliament (Schäuble 2012, De Bruijn 2012).

The debate about deeper integration may be perverse in different ways. One perverse trend in integration is that EU institutions gain powers but lose support (Schout & Rood 2013). The EU Commission, European Parliament and the European Council have dropped markedly in prestige. Between Spring 2007 and Autumn 2011 trust in EP dropped from 56 to 41%; in Commission from 52 to 36%; and in the European Council from 47% to 32%. Over the same time, the ECB saw its support fall from 53 to 40% (Eurobarometer 2011). The second perverse element is that despite the important principle of subsidiarity, discussions are about a shifting balance between Member States and EU institutions without paying much attention to the link between the two levels. Yet, without proper attention for political and administrative interconnections, further European integration may fail in any case (Schout & Jordan 2008). Thirdly, discussions focus on democratic legitimacy as if that is the only source of legitimacy. In general, more (European) democracy may actually mean less legitimacy (Majone 1996; Schout 2011). Without further analytical support, pleas from politicians like Schäuble may do more damage than good.

What may however be happening implicitly is that insufficient analysis of some of the deeper problems causing the euro's legitimacy crisis leads to hasty conclusions about federalisation. By better understanding how the euro functions as a multilevel EU system, we might find additional approaches to diagnose and repair some of the broader legitimacy deficits. This paper therefore starts from identifying the eurocrisis not as a narrow problem of democratic control but builds on a wider understanding of legitimacy. Section 2 therefore offers a broader perspective to diagnose legitimacy problems including the legal system, procedural innovations, operative networks and of course performance. The key question therefore is not

[1] E.g.: http://www.guardian.co.uk/commentisfree/2011/nov/14/technocrats-europe-bad-politics-economics

limited to whether democratic control has been improved but whether after all we can conclude that the EU's input and output legitimacy (Scharpf 1999, see below) has been improved. Evidently, the eurocrisis and the changes in the elements that cannot be studied in all its facets, section 3 therefore limits the application of the model to the European semester which is the follow up of the earlier Lisbon Process and SGP reporting. It reviews some of the problems in these governance mechanisms between – broadly speaking – 2000 and 2010. More specifically, the empirical focus of the paper is on the legitimacy of the Lisbon Process and the Stability and Growth Pact (SGP). Section 4 uses the model to discuss the policy innovation in the European semester after 2010. The concluding section addresses the question of the relevance of the legitimacy-based approach for analysing the appropriateness of the measures taken to elaborate the European semester. The legitimacy-based approach is relevant if it offers new insights into the discussion on deeper integration - and, from that, if it offers additional perspectives for addressing remaining legitimacy deficits.

Legitimacy in the EU's administrative system is inherently a multilevel challenge and therefore requires a study of changes at EU level and in different countries (Schout 2009). For the national level, this paper focuses on relevant developments in one member state, viz. the Netherlands (N=1 case study). Although every country has specific inclinations towards the EU and its own economic performance, the Netherlands might be a good country to start to explore the multilevel requirements of economic governance as it has been taking economic governance, the SGP and solving the eurocrisis very serious – also in terms of preaching to other Member States (Schout & Rood 2012). This creates expectations as to what it has done nationally to solidify European semester capacities. If even the Netherlands has been less forthcoming, we might be even more pessimistic about changes introduced in other Member States.

To examine the changes at EU and national level, we have – in addition to relying on the relevant official reports – undertaken additional interviews with 12 key officials involved in the European semester in the Dutch administration and parliament, and in the EU administration. These officials have been interviewed on several occasions throughout 2011 and 2012 to benefit from some additional *coulour locale* of the relevant decisions.

2 Legitimacy as multilevel challenge[2]

Legitimacy is the belief people have in the actions of government (Weber 1968). The public has to trust the policies produced by the systems governments have in place for taking technical decisions. Although used differently over time and between authors, broad consensus has emerged over the composite nature of legitimacy. The current debate concentrates on input and output legitimacy (Scharpf 1999). Input legitimacy addresses democratic control (government by the people) while output legitimacy concerns government for the people (effectiveness or substantial legitimacy).[3]

This distinction between input and output legitimacy helps to operationalise legitimacy in terms of the underlying legitimizing mechanisms, i.e. "those arrangements made for securing conformity between the values of a delegating body and those to whom powers are delegated" (Curtin 2005: 87). Hence, legitimacy mechanisms are the control instruments that

[2] This paragraph is based on Schout, A. (2011) 'Framework for assessing the added value of an EU agency' *Journal of Public Policy*, 31(3), 363–384.

[3] We follow Bekkers and Edwards (2006, p. 44) who avoid the use of 'throughput' legitimacy because it can be seen as part of input legitimacy (dealing with questions about who has access to decision-making processes and about the – hierarchical and public –control over the procedures).

make it possible for, among others, politicians to monitor the organisation and that provide the basis for public trust in the actions of public bodies (e.g. through workplanning, evaluations, and openness of decision-making). Within the constraints of this study, this discussion on the controls to support the legitimacy of organisations can only remain at an exploratory level (see Busuioc 2009 for a review of different accountability mechanisms). Accountability mechanisms such as transparency rules or input in the form of expert information would require more in-depth analysis and discussion regarding the extent to which they actually translate into legitimacy (Mayntz 2010).

These legitimacy mechanisms steer the use of instruments by specifying their objectives, procedures, resources and performance criteria. As argued by Lascoumes and Le Gales (2007), policy instruments are organisations and can be studied in terms of organisational design. Instruments structure power relations between government and society by shaping, among others, negotiations, agreements and conditions (Kassim and Le Gales 2010). If poorly designed, instruments create principal-agency problems and inconsistent behaviour (Thatcher and Stone Sweet 2002). It can be too elaborate and create opportunities to manipulate performance assessments, for example by imposing conflicting assessment criteria such as current account and budget deficit indicators.[4] Accountability mechanisms can also cause inefficiencies if procedures are time-consuming or inflexible (Schout and Pereyra 2011). They can have a mere symbolic function (DiMaggio and Powell 1983) or lead to fake legitimacy if, for example, evaluations are carried out by stakeholders. Hence, more legitimacy mechanisms does not necessarily lead to more legitimacy. If controls are poorly designed the actual policies may undermine the trust in public organisations (e.g. Medina 1997).

The comparative framework to decompose and use 'legitimacy' is summarised in table 1. It underlines that governance involves overlapping mechanisms. Can we trust the appropriate measures are being considered? For this we need to turn to input legitimacy. Input legitimacy includes, firstly, hierarchical controls (limited here to political approval of objectives and policies) and administrative controls (defined as the rules for decision-making such as planning and working arrangements, fact finding, transparency, reviews). The EU has made great strides in administrative legitimacy. The upswing of better regulation initiatives (Bauer 2009*, Schout and Sleifer 2013) has changed administrative legitimacy rather drastically to the extent that certain kinds of depoliticisation have been introduced but it needs to be seen whether this trend has hit the governance of the eurosystem. Moreover, input legitimacy involves legal oversight (access to justice and appeal mechanisms, Majone 2002) and functional cooperation (mutual learning between experts, Smismans 2004). Such networks in the EU not only provide the necessary expertise and offer mutual learning, they are also the expression of the principle of subsidiarity. Subsidiarity is one of the core values in European policies and aims to keep policies and controls as close as possible to the public (Com 2009). Constant involvement of national experts and authorities – e.g. by having kept national central banks - offers richness of information, close contact with national decision takers and national visibility (Compare Jordan and Schout 2007). Expert communities have played a major role in the legitimacy debate as a way to solve shortcomings in democratic legitimacy. Professional values and the resulting peer pressure are particularly important in discussions of EU networks (Majone 1996; Verdun 1999).

[4] According to the indicators of the European semester, the Netherlands has to increase spending because of its current account surplus and reduce spending due to high public and private deficient (*).

Legitimacy	Indicators
Input	Legal control (Are rules binding? How are access to justice and appeal mechanisms organized?) Hierarchical control (Can ministers and parliament control strategic decisions?) Administrative mechanisms (What are the rules for workplanning, impact assessments, and evaluations? Where does information come from? Are policy processes and evaluations transparent?) Functional cooperation (Is cooperation based on subsidiarity? How is cooperation in peer networks organized?)
Output	Effectiveness (Do evaluators, peers and the public think that the policy is effective?)

Table 1 – Framework to assess the legitimacy of EU agencies.

Output legitimacy relates to effectiveness. Any performance assessment is difficult in view of competing evaluation criteria (Powell 1987). We will not dwell on a multitude of issues that need to be assessed in order to evaluate the faring of EMU (inflation, interest rates, economic convergence, macro-economic stability versus other currencies, etc.) but simply stick to the general impression of the state of the eurozone. Suffice to say that in relation to economic governance (the economic governance components of the European semester) output was poor as is underlined by the instability of the EU's economy, by the bare survival of the euro, and by the fall in trust in the EU and the EU institutions related to the euro. The eurocrisis has shown that what many feared at the start in 1992 (Maastricht Treaty) proved correct: the way in which the common currency was designed was incomplete and automatic economic convergence failed (Marsh 2011). Yet, in many ways, the problems with the euro were more severe than foreseen (Teulings et al. 2011) although some had persistently called attention for the systemic weaknesses of the EMU (Eichengreen 1992). Also Delors had noted early on that the euro needs "two legs", a monetary and an economic leg.[5] What concerns us is here is whether the economic coordination is now being upgraded to the extent that the euro might start to get a suitable economic basis. This combination of legitimacy mechanisms includes therefore politicised and 'depoliticised' controls.

Importantly, this model is interdisciplinary and includes a public management perspective so that we can actually start to look 'on the ground' how economic coordination works. This is also the area where additional insights into legitimacy deficits can be explored.

3 The European semester as European problem: 2000-2010

The euro system requires effective sub-systems. The eurozone cannot function without among others an effective central bank system, a reliable statistical system, different kinds of (banking) control systems, and, our focus here, a binding system of economic governance (compare Mundell 1969; Schout 1999). Economic governance means different things to

[5] Grant, C. 1998, 'Interview: Jacques Delors', New Statesman, 2 January: 14-16

different people and in different Member States (Marsh 2011). For our purposes we define it in relation to what the European semester currently tries to establish: the mechanisms that support macroeconomic/fiscal stability and sound (micro) economic policies. It has been clear right from the start that such economic coordination was imperative (Delors Report 1988, Eichengreen 1992). Yet Member States – and in particular France – have not been willing to go down this kind of road of economic coordination (Marsh 2011). As is typical for new policies in the EU, they often start with soft coordination because a more committal solution is unacceptable by the Member States – until after some time Member States get used to the processes and institutionalisation that takes place (Héritier 2006; Schout and Pereyra 2011). Evidently, more politically sensitive issues will be more difficult to institutionalize but successes have been evident in e.g. EU's medicines approval, food control, environmental monitoring and aviation safety (Everson et al, 1999, Vos 2008, Groenleer 2010).

The European semester' is the amalgamation of two different economic governance instruments in the EU: the competitiveness and growth policies of the EU related to economic sectors (i.e. the Lisbon Process followed by the Europe 2020 strategy (Commission 2010) and the SGP which is concerned with the macro economy conditions (fiscal policy) in the EU. The Lisbon Process was supposed to turn the EU into the most competitive economy in the world by 2010. The Process consisted of national and European programmes and objectives in different fields that formed the basis of a wide range of open coordination workshops and annual reports by Member States and Commission. In 2003 it included 28 main objectives and 120 sub-objectives; 117 different indicators and no fewer than 300 annual reports and in addition there was an overall report per country (Judge 2005).

The SGP was adopted in 1997 to ensure that after the introduction of the euro Member States – having adhered to the Maastricht criteria – would still be subject to a strict monitoring mechanism. The essence of the SGP process has been the stability programmes (for the euro member) and the convergence programmes (for the other EMU members expected to join) on the basis of which the Commission would write an assessment. Essentially, Member States had to stick to balanced budgets or at least remain within the 3% limit and the Commission had to monitor whether the actual developments and growth forecasts of the Member States were in line with what was actually to be expected. Above 3%, the Commission could start the excessive deficit procedure (EDP) – the corrective arm of the SGP obliging Member States to take action (Art 126 TFEU).

Interestingly, both the Lisbon Process and the SGP had been redesigned following major disappointments from the start onwards. The Lisbon Process was reformed in 2005 following the famous Kok report (2004) which concluded that it was overly detailed and lacking leadership and commitment at the national level. 'Lisbon' was streamlined into a system of more focused (24) Broad Economic Policy Guidelines but kept the process based on open coordination (CEC2005 622).

At the same time, the SGP was relaxed and made more flexible – if not watered down - after France and Germany had been able to evade the recommendations of the Commission (Heipertz and Verdun 2010: 167-9). Prodi had in any case called the set of rules such as the 3% norm "stupid"[6] and the Member States decided on a system allowing for a more flexible MTO (medium term objectives) depending on whether economies were growing or not. In fact, the erosion of the one-size fits all rule took much of the bite out of the SGP (Heipertz and Verdun 2010).

[6] Le Monde, 20 October 2002.

Input legitimacy

The model in Table 1 gives a starting point for assessing whether the legitimacy of the euro has been improved and where gaps might exist. Evidently, understanding and diagnosing hugely complicated political economic processes requires more in depth – and multidisciplinary – treatment (Heipertz and Verdun 2010), but building on the available reviews we can at least map the contours of the legitimizing factors of the euro.

Legal legitimacy

The legal legitimacy of the Lisbon Process – and later the Europe 2020 strategy - is defined by the Broad Economic Policy Guidelines (BEPG) (Art. 121 TFEU) and the Employment Guidelines (Art. 148 TFEU) – which after 2010 make up the Integrated Guidelines. Still the Council has to adopt these guidelines, which essentially makes it an intergovernmental process with little legal backing either at EU or national level due to the rather vague legal wording.

The SGP was a set of targets based on the Maastricht Criteria for the EMU, currently finding its legal basis in Article 121 and 126 TFEU. Via two regulations the SGP has defined the rules and procedures (Council Regulation No 1466/1997), including the EDP (Council Regulation No 1467/1997) by which the Commission could formulate recommendations to be adopted by qualified majority voting (QMV) in the Council and give an opinion of further measures a Member States should take. The ruling of the ECJ on the inability of the Council to accept the recommendations to France and Germany in 2003 clarified that the legal legitimacy was a procedural legitimacy. The Council had the right to not adopt the Commission recommendations (ECJ case C-27/04). The subsequent rewriting of the EDP made the rules even less binding (Council Regulation No 1055/2005). Member States had no additional role in the legal legitimacy.

Hierarchical – political - control

EU Level

With this intergovernmental setting, the Lisbon Process and SGP were displays of active political involvement at the European level. First of all, the Heads of State and of course the ministers for Finance (in Ecofin and Eurogroup), Economic Affairs (Competiveness Council) and Foreign Affairs (General Affairs Council) had been closely involved in formulating the Treaties and the necessary secondary legislation and in production of the many reports during the process.

Especially the Lisbon Process was based on a purely intergovernmental framework with several Councils discussing the issues in the Competitiveness Council, Employment Council, and finally the Spring Coucil as the central body. In terms of implementation, Member States including the traditionally federalistic Netherlands (Marzinotto 2011) had reserved the political controls in the Lisbon Process. As a consequence of the intergovernmental framework but also the soft-coordination processes, report hardly resulted in real debates. Or as one senior official phrased it: “These meetings were mainly very polity”.[7] The national representatives had a tendency not to attack each other to prevent being attacked themselves (Jordan and Schout 2007).

[7] The clash over the excessive deficit procedure against Germany and France was a major exception. Particularly the Dutch wanted a adherence to the rules and threatened with Court procedures. After the reform of the SGP, the political tensions had quieted down because of the increased flexibility (less ‘bite’), the economic growth in the EU after 2004.

The SGP was sharpened up in 1997 in particularly by the Germans insistence to ensure a stronger legal supervision (Art * and *) to ensure more binding supervision but this in the end left the wording quite vague. The Stability and Convergence Programmes were produced by the Member States and then assessed – independently - by the Commission. The Commission's opinions* were subsequently discussed in the Economic and Financial Committee. The recommendations for Member States were adopted by QMV (preventive & corrective arm). When relevant, political control was to a large extend aimed at preventing negative Commission recommendations to be adopted in the Ecofin. The votes in Ecofin were precooked in the Eurogroup (formally a nameless coordinating sub-meeting of Eurozone Finance Ministers). But if things went wrong it could also be fought out in the European Council (Heipertz and Verdun 2010). The most telling and researched example is the political pressure France and Germany mustered in the eurogroup meeting preventing a qualified majority in support of the Commission recommendations in the Ecofin meeting of 24-25 November 2003. The meetings on the SGP were much more heated, but maybe even less committal than the Lisbon Process Councils. But also among ministers was little interest in accepting further involvement or advice from the Commission.

EP only had a marginal role in the sense that it was informed of the various reports. EP however in its 'informal' role was critical about developments in specific states () but is was above all unhappy about its own role [To be further developed].

National Level

At the national level in the Netherlands, the National Reform Programmes (Lisbon Process), the Stability Programme (SGP) and the Commission recommendations were controlled by parliament but this generally resulted in little heated debates. Parliamentarians were already well aware of the content of these reports because they concerned mainly policy discussions that were going on in the various national social and economic policy committees. These reports contained little news for MPs. Moreover, government parties would in any case support national policies and opposition parties could do little more than to try and score political points. As regards political control of the Councils, the Dutch parliament worked with ex post control mechanisms. The Parliament holds the government accountable after decisions have been made (Hoetjes 2001), as opposed to ex ante mechanisms where parliament can influence government's behaviour and discusses strategies for Brussels as in the Danish case (Wilde, De 2011). Moreover, the timing of the Commission's assessment of the Stability Programme did not help either. It was discussed after the decision on the national budget in fall.

In any case, little interest was shown in the recommendations the Commission gave to other countries. More generally, the Kok Report, noted a lack of national political pressure contributed to slacking commitment towards 'Lisbon' and that can easily be explained by the limited attention it acquired from – at least the Dutch - parliament (Schout 2006). The Dutch parliament in any case did not put much pressure on the government to incorporate Commission recommendations or to call for policy changes in other countries. As a consequence, the Dutch parliament did not create problems when the Commission pointed to disequilibria in other countries or in the European economy. Moreover, critical reports such as the Commission report in 2004, which pointed to lack of regional convergence in the eurozone, lack of competitiveness of countries, and to the increasing current account deficits, was completely missed (Com 2004). Despite efforts from the Luxemburg Presidency, and without little protest from Member States, the report was not discussed at Ecofin. These trends formed the heart of what was to become the eurocrisis but the warning signs were ignored. As far as could be established, few Dutch parliamentarians had seen the need to turn the Commission reports as part of the SGP process into a political issue.

Hence, despite the ample political control on the formulation and avoiding serious criticism in the implementation, the precursors of the European semester did not benefit from much political control on the actual lessons that could have been drawn from these processes. Nor would a parliamentarian raise economic weaknesses in other Member States even though success weaknesses – as later clearly emerged – could jeopardize the Dutch economy.

The political control aimed at preventing consequences and the weak general interest of the national parliament contributed to the erosion of the euro and it was inconsistent with the output objectives the politicians had set for themselves. This was also the kind of political control that created inequalities between small and big countries – something that is in any case a sore spot in the Dutch EU history and perception of binding rules (Schout & Rood 2013). In essence, it seems plausible that the way these hierarchical controls were organized and applied contributed to the de-legitimation of the euro.

Administrative legitimacy

EU Level

Both the procedures of the SGP and the Lisbon Process changed markedly during the 2000s, but to little avail. The Lisbon Process moved from an unworkable overload of indicators to a more streamlined set of BEPG and reporting mechanisms such as the National Reform Programmes (NRP's) and Commission assessments after the Kok reforms (Schout 2006). Attention devoted to learning between countries on a multitude of policy processes under the Lisbon Process would have demanded in any case more preparation, discussion and follow up. In, e.g., the European innovation scoreboard, the peer review was designed so lightly in sessions of one hour per country so that Mosher and Trubek (2003:78) concluded: 'It is hard to imagine that so truncated a session could produce an in-depth assessment or offer very much useful feedback'. Hence, the effectiveness of the instrument of open coordination and the way these learning processes were implemented on the ground were dubious.

The Commission lacked the staff and expertise to analyze the country reports and to write the recommendations. Within the Commission there were small groups of officials from a core group of DG's (Economics and Finance, Enterprise, Employment) complemented with other relevant DG's per topic such as DG Trade and Agriculture. The core group monitored a particular country both for the Lisbon Process and for the SGP. Yet, the Commission suffered from resources. Within DG ECFIN, only two people followed for example Ireland – among their other tasks- and few had seen disaster in the air.

To a large extent the information the officials from the relevant DG's needed (and needs) to comment on the quality of the national reform and convergence reports came from the organisations such as World Bank, OECD, ECB, national (planning or economic) offices and of course from the national reports. This made the administrative process vulnerable to unreliable outside information. A large share of the information – OECD, national reports – originated from the Member States in the first place. As a result, the Netherlands was criticized at some point over mobility problem (road pricing) and Germany over railroads simply because these were issues discussed in the national reports but these issues hardly classified as relevant European problems. The Commission can do some independent surveys – e.g. on pension schemes throughout the EU (Commission 2010) - but has to rely by and large on what countries bring in.

What was even worse: there have been severe doubts about the reliability of even the most basic facts in the European statistical system and insiders were well aware of this. Aware of the necessity of having reliable statistics on macro and micro economic conditions, Eurostat had initiated a review of the appropriateness and quality of the statistics its acquired from the Member States (Schout 1999). However, as turned out dramatically in 2009 when Greece had to announce that it had been manipulating – "lying" in popular parlance in the press[8] - economic statistics (Featherstone 2011).

Moreover, the production of reports within the Commission was subject to political bargaining between DG's and between the national Commissioners and the DG's. DG's within the Commission would barter over recommendations (how much attention to be given to environment, which areas should receive priorities, how to handle conflicting recommendations). The individual Commissioners were also well informed on the recommendations the Commission was planning for their countries and often were in the meantime already negotiating with their home countries. The Cabinets of the Commissioners would also discuss early drafts with their home countries. The final writing of the reports was coordinated in part by the Commission's Secretariat General, which implies that the effort by and large was an internal negotiation effort between DG's and with national experts looking over the shoulders of the Commission. Several officials also in Brussels explained that it was evident that e.g. criticizing France was not something to be done lightly.

Yet, on the whole, the Commission proved to be quite aware in general terms of some of the major deficiencies (Com 2004). However, the mood at the political level and among national officials was not yet ripe for building disaster into their discussions.

National level

Similarly, preparations of the NRP's and the stability programmes at the national level varied and were often poor. The national reports varied considerable between Member States and offered often little more than a short statement of intentions (Mosher and Trubek: 78). Also where – as was clear from the start - sanctions absent as the Lisbon Process was supposed to remain 'soft' coordination. Moreover, as our interviews showed, only few national administrations have had the appropriate expertise and support to write national reports. For writing the stability programme, the Netherlands has had an independent central planning bureau, as has e.g. Belgium; but other countries do not have such an office or the office is not independent but part of an ministry (such as in France, *). The interviews underlined that the Commission reports were quite useful to specifically eastern Member States, as they have lacked the capacities to write them themselves. In view of the importance of economic coordination, neither the Commission nor the Member States seem to have been suitably equipped to deal with the necessary economic analysis and reporting.

In addition, one of the standard tricks Member States used during the first decade of the Lisbon Treaty and SGP was to present (overly) optimistic growth figures (Heipertz and Verdun 2010, Marsh 2011). Looking at the way the NRP's were produced, it is clear that there were elements of a desire for learning and genuinely learning involved under some headings of the Lisbon Process (Schout & Jordan 2009) but it is also clear that the National Reform Programmes were as an official explained "marketing flyers" to present plans already agreed in the ministries. Recommendations as existed in e.g. the Lisbon Process offered often little more than light political incentives to engage in serious policy reviews and lesson drawing (Schout 2006).

[8] http://www.cbsnews.com/8301-505123_162-57376272/q-a-the-greek-financial-crisis/

Once the Commission had drafted its recommendations, Member States would strongly lobby the findings in order to remove unwelcome advice. For example, the devastating effects of the mortgage rule in the Netherlands were well known (DNB 200*, CPB 200*). Yet, the Commission refrained from harsh comments until the reforms of the European semester in 2012 following the pressure from the Netherlands (Commission 2011). Italy argued that the state debt was high but private debt was low so that no recommendations were needed. Similarly, a senior official commented in 2007 in a discussion on quality control of national statistics that he could not imagine that the Commission would actually assess the quality of national statistics. Nor was he interested in statistics in other Member States being controlled by the Commission out of fear of the Dutch – high quality – statistics becoming monitored from Brussels. Hence, he rather had a poor quality control on the input to the reports from other countries than an effective economic governance system.

Hence, the way reports were produced within the Commission, the lobbying of the Member States to remove the sharp edges, and the poor underlying statistics implied that the transparency of the whole process was rather low. Moreover, particularly for Lisbon, there was very little in terms of a format on the basis of which to discuss countries partly because of the broad remit of the economic coordination processes.

This shows that the administrative process of the NRP's and SCP's suffered from a lack of staff, a lack of independent input, and a lack of independent processing and structure (lack of common framework and complex criteria. Moreover, these Lisbon Processes was not very transparent (the SGP was). In addition to the overload of economic indicators together with a clear understanding of which ones to prioritise implied that these administrative deficits can help to explain why the national and EU reports had not picked up major economic problems in banking, housing and financial bubbles and labour market inflexibilities – and with that could not uncover the dangers of national reporting.

The SCP's proved to be more reliable and focussed. The problem, as turned out later, was, firstly, that behind rather positive economic trends (Spain, Ireland) hid dark economic clouds. Hence, the indicators were insufficiently focussed (e.g. current account deficit and wage increases proved to be key indicators in the end, Teulings et al. 2011). However, also here we see the clear dangers created by the unreliable European statistics and the lack of national institutions needed to examine the weaknesses of the national economies more forcefully.

Horizontal – or network - legitimacy

Respecting the principle of subsidiarity, the SGP and Lisbon Process involved a multitude of (overlapping) networks at the level of officials – such as the meetings in the framework of the ECB, its meetings of board of governors, and more specialized meetings. The key networks were the Economic Policy Committee (EPC) (Council Decision 2000/604/EC*) dealing with the Lisbon Process / EU2020, and the Economic and Financial Committee (EFC) (Council Decision 98743 in 1998)) dealing with the SGP. These networks supervise the more technical networks for specific theme's such as the Working Group on Ageing Population and Sustainability, Labour Market Working group and on the methodology of structural reforms (LIME), and on IMF and related issues. EFC and EPC met regularly at director's level. The financial committee has always been regarded as the more important and focused of the two.

The EFC and EPC coordinate the work of the economic reporting. Although the Commission drafts the reports (EPC) and its opinions (EFC), and is independent in drafting these documents, the officials explained that there was a lot of national involvement at the drafting stage and that the Committee meetings were open to active national lobbying. As a result, the

Commission's input in both committees was often quite critical. Yet, the final reports of the EPC were watered down, as were the Commission opinions in the EFC (functioning under ECOFIN).

Output legitimacy

General performance economic coordination

Despites the ECBs self-congratulating report marking the 10th anniversary of the euro (ECB 2008), in terms of output legitimacy, the outbreak of the crisis revealed the failure of the EU to ensure stable economic and monetary relations. Due to various bubbles, underlying economic weaknesses that had not been spotted – or at least had not been acted upon. Eventually, the financial crisis resulted in a public deficit crisis as governments in particularly in Ireland and Spain had to step in. Greece, Spain and Ireland had shown impressive growth figures during the first years of the euro to the extent that the economic commentators spoke of Spain (36,6% of government debt in 2007 and 7,7% of average annual GDP growth in 2004-07, source: Eurostat) as the Iberian tiger and Ireland (24,8% of government debt in 2007, and an average annual growth of 8% between 2004-07, source: Eurostat) as the Celtic tiger.[9] However, the burst of the bubbles exposed the worst fears several had had about the effectiveness of the EU's economic coordination (Eichengreen, De Grauwe).

Poor euro-performance eroded the support for both the EU and the euro in the Netherlands (Dekker 2012) but also in other Member States (Eurobarometer) and it affected the public trust in national governments particularly in the southern Member States (Eurobarometer). Clearly, economic coordination had performed poorly judged by the public and private deficits, risks, speculations against countries and complete evaporation of trust between banks. Worse, economies diverged – opening up discussions on the EU becoming a permanent transfer union. Original hopes that economic convergence would follow from monetary integration were slashed and public discussions emerged as to whether economic integration may lead to widening divergence and, hence, permanent fiscal transfers from rich to poor countries (Huffingtonpost, Boadway and Shah 2007).[10] Discussions within Germany and Belgium over internal transfers do not bode much good for the acceptance of permanent transfers between EU Member States.[11]

Some successes of the euro include the low inflation rate and the relative strength but even these feats are to a large extent the result of the economic recession and the poor fiscal situations in the US, the UK and Japan.

In more specific terms, these crises can be related to poor performance of the precursors of the European semester: the Lisbon Process and the SGP. As analyzed by others, both the Lisbon Process (Kok Report 2004, SER 2009) and the SGP have been weak and certainly too weak in comparison to what economic governance requires (despite the praise from Hodson 2009 and to some extent Heipertz and Verdun 2010). Despite the reforms of both programmes around 2005, the euro ended up in crisis to the point that scenarios about break-

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[9] Bradley, J., E. Birnie (eds) (2001), *Can the Celtic tiger cross the Irish border*, Cork: Cork University Press.
[10] http://www.huffingtonpost.com/warren-mosler/the-economics-of-eurozone_b_1673431.html.
http://siteresources.worldbank.org/PSGLP/Resources/IntergovernmentalFiscalTransfers.pdf
[11] http://blogs.telegraph.co.uk/news/danielhannan/100100724/fiscal-transfers-havent-worked-within-germany-why-should-they-work-across-the-eurozone/

up emerged in 2011-2012 and were politically voiced.[12] One of the explanations for this was that the Commission recommendations under the EDP were largely ignored [examples will follow]. Similarly, suggestions to other Member States also lacked follow up (*).

4 The European semester as start to reinforce the euro-system

Input legitimacy

Judging by the doubts one should not get the hopes up too high that 'ruling Europe' on the basis of rules and regulations would ever become effective due to especially harsh political realities (Heipertz and Verdun 2010: 203-4). Yet, the euro Member States have been trying to do just that: establishing more rules throughout 2010-2012. Yet, much seem to have been achieved.

Legal control

EU Level

Despite severe criticism in the media over the Council doing nothing, the heads of state have formulated and implemented drastic changes in economic governance. The six-pack intends to tighten fiscal and economic surveillance via five regulations and one directive. As regards the SGP the new regulation (EU NO 1173/2011) increases control in both the preventive arm as well as the corrective arm (EPD). Firstly, there is equal emphasis on the public debt criterion of 60% besides the public deficit criterion of 3%. Secondly, for the preventive arm the road towards the EDP has been spelled out. For the debt criterion this means that if a Member State transcends the 60% then it has to comply to the annual debt reduction target of 1/20 of the debt over the last three years. It gives more content to the SGP, which now mirrors better (although not sufficient) the problems that Member States face and have to deal with. Thirdly, the 'new' EDP provides a more specific road towards possible sanctions. This might obviate the room for interpretation and negotiation in the Council. Fourthly, the preventive arm foresees fines for manipulation of the debt or deficit data [Maybe more of an administrative argument]. These measures give a more comprehensive toolbox for the Commission and have the potential to depoliticize the SGP.

New in the economic governance structure is the Macro-economic Imbalances Procedure (MIP) (Regulation No 1776/2011), which aims to identify structural imbalances that can potentially lead to bubbles in the economy. It consists of fiscal, competitiveness, asset prices, labour market, and private and foreign debt indicators combining Europe2020 and SGP criteria. Institutionally, the MIP also appears to be a copy-paste of the SGP where the structure of preventive and corrective arms (Excessive Imbalances Procedure EIP) has been duplicated. In the end the MIP can also lead to sanctions via the Excessive Imbalances Procedure (EIP). However the nature of the MIP leads to a surveillance mechanism that '…cannot consist of (quasi-)automatic triggers but requires a qualitative economic analysis' (Salines et al. 2012). There has also been a firm debate on the formulation of the indicators and whether they would have been able to signal potential crises (Knedlik & Von Schweinitz 2012). DG ECFIN has an independent role in this process. Regarding the SGP the Commission can assume its role as 'guardian of the Treaties' by plainly implementing rules of procedure. However the MIP requires a qualitative assessment. Here the Commission enters a slippery slope, because an assessment leaves room for manoeuvre for Member

[12] http://www.telegraph.co.uk/finance/financialcrisis/9265930/Merkel-tells-Greece-to-back-cuts-or-face-euro-exit.html

States. The analytical expertise of the Commission is essential, for its independence might be questioned – as was the case with figures on the reform of Greece. The negotiating aspect has already been shown by the congestion recommendation to the Netherlands. Besides that, and the conflicting nature of the indicators, the national economies might possibly not be able to directly control all the indicators. Sanctions will therefore be very hard under more normal circumstances or in cases – similar to 2005-7 – when it simply is not clear that there are bubbles.

The heads of state – assisted by Ecofin and the eurocouncil of the Ecofin - now have to supervise an integrated programme. Whereas the Lisbon Process or the start of EU2020 was without consequences or bite; countries now entering into the EDP will also have to accept the economic instructions. In 2011 countries were in the EDP. Five had, on the basis of the first round of new European semester, not delivered satisfactory reform programmes so that the Commission sent letters including threats of sanctions. In face of the blame and of financial sanctions, these countries – including Hungary in the end – quickly made the necessary changes. Given the bite of current Member States, Spain and Italy are desperately trying to avoid being bombarded to problem countries. Hence, there are still ways to evade binding control – particularly as it seems for big countries.

National level

At the national level, the ratification of the fiscal compact (the fiscal part of the Treaty on Stability, Coordination and Governance) requires Member States to implement the balanced budget rule of a deficit of less than 0,5% in national, preferably constitutional, law (TSCG 2011). Here the European Court of Justice may impose a financial sanction of 0,1% GDP if a country does not implement the new budget rules. It is even possible for a member state to take another Member State to Court (art. 8 TSCG). Furthermore the Stability Treaty installs a behavioural commitment for euro-area Member States to follow the Commission's proposals and recommendations, effectively applying reversed qualified majority voting (RQMV) to all stages of the EDP. This leads to questions about the enforceability of such commitments. There is still a lot of ground to cover for the MIP when you compare it to the EDP. The MIP leaves enough room for political manoeuvre in terms of voting, interpretable figures and assessments. These concepts have been obviated via the Fiscal Compact concerning the EDP. However with the MIP the Commission can start an in-depth review on its own, without a vote in the Council (art. 16 Regulation 1176-2011). For subsequent steps, the consent of the Council is necessary. These subsequent steps show great resemblance with the early stages of the EDP. It shows that the Commission can act much more autonomous and independent with the EDP as opposed to the EIP.

Political control

One area where the heads of state have made great strides in terms of adopting new rules concerns the macroeconomic (Europe 2020 and MIP) and fiscal (SGP) components of economic coordination. These are now linked via the European Semester ensuring better use of indicators (e.g. macroeconomic recommendations can now be attached to SGP opinions) and the process has now acquired much more bite for countries in the EDP.

EU Level

Paradoxically to many, the increasing involvement of the heads of state has resulted in a more 'technocratic' control – with a stronger role for the Commission as independent supervisor of the SGP and the MIP. However, fully in line with Majone's views on depolitisation, micro control has been replaced by refining of rules and additional legal guarantees (Majone 1996, 2012). These rules should in principle be the same for all countries (small and big – see below under administrative legitimacy), and the combination of economic and financial control gives more power to the Commission. In a way the new processes offer less ongoing control, yet the rules offer more control on what happens in other countries. It is a matter of taste whether one prefers the previous micromanagement or the current more rule–oriented hierarchical control.

The European parliament has not gained much more power. In essence, it monitors the process. Through the 'Economic Dialogue' the Economic and Monteary Affair Committee of the EP is able to invite the Presidents of the Council, Eurogroup, the European Council and the Commission, It can also invite an individual member state that does not comply with the SGP and MIP. As a senior official explained the latter invitation has not been welcomed by the Member States during the negotiations. Similarly, some MEPs have been unhappy with their more distant role (Eickhout) although others (Wortmann) prefer a more distant role for the EP. The future role of the EP will be one of the major battlegrounds in the discussion on deeper integration. Some Dutch political parties, and leading figures such as German Finance Minister Schäuble (Interview Der Spiegel) therefore want to grant EP powers to control the Commission's reports (e.g. Van Rompuy Task Force Report). In addition, if Commissioners – such as Olli Rehn - get more powers, EP should have more powers in dismissing individual Commissioners.

EP has been quite frustrated so far with the European semester. It has been in favour of a more growth-oriented approach instead of sticking to the technocratic 3% rule as the Commission has been doing. Moreover, factions in EP have been expressing a desire for more influence on the Commission in the period between the Commission's country-specific recommendations and their adoption in the Council. It remains to be seen whether the depolitisation achieved vis-à-vis the Council (eg through RQMV) will be replaced by more politicisation via the EP.

National Level

Dutch parliament has controlled the many Council and European Council meetings in much greater detail and much more proactive (Schout, Ebben and Wiersma 2012). Parliamentary control is no longer limited to after Council meetings. Yet, there remain serious gaps in the hierarchical legitimacy. National parliaments have not seemed to become more involved in actually discussing the reports on the other Member States. In this way dangers in economic developments in the eurozone and in individual Member States are not brought to the political attention at large. The first decade of the euro was marked by the failure to turn economic weaknesses into political problems. At least the Dutch parliament – and presumably the same applies to parliaments generally - is still not recognizing that it has to broaden its focus to economic situations in other Member States and the eurozone in general. Complaining about Greece is now accepted given that it has been such a complete economic failure but complaining about e.g. policies in France or Belgium is still out of the question.

Of course, there is little national parliaments can do to e.g. raise havoc against potential dangerous decisions in France or Italy but national parties should demand attention for emerging dangers elsewhere in the eurozone, get their governments to take up these issues with the Commission and in the relevant Councils. Moreover, parties can address their wider European concerns in their increasing contacts with parties in other Member States (*) and with MEP's. However according to officials the Conference of Parliamentary Committees for

Union Affairs of Parliaments of the EU (COSAC) '… does not function. Although you see rapprochement between national parliaments.' [To be further developed]

Parties and parliaments need to get to grips with that their control role should extend over national borders. If policies of insufficient pension reforms in Belgium or Portugal can ruin the eurozone that is a responsibility of national parliaments too. Moreover if the Council fails to address critical reports of the Commission, then it can also be regarded as a responsibility of national parliaments to hold national ministers accountable to ensure that the Commission gets the appropriate political support.

Administrative control

Administrative controls concern national and EU institutions, and cooperation between national and EU institutions. Studying these controls forces us to look at how policies are formulated an implemented on the ground. If there is one thing clear from the eurocrisis, it is that these institutions and interactions have been slow to develop – and whether they have developed effectively remains to be seen. As discussed in section 3, independent statistical and economic analysis authorities, tax collection systems and land registry necessary for reliable economic insights had proven to be poorly developed and politicized. Moreover, the work processes in the writing and implementation of the monitoring reports remained opaque and lacked independent judgements. Is change to be expected?

EU Level

Major changes have taken place in the writing of the Commission's recommendations on the national programmes (NRP's and SCP's). 2011 was the first year of the new European Semester combining EU2020 and SGP and 2012 was the first year under the supervision of the independent Commissioner (Olli Rehn). The new situation in 2012, according to interviewees, resulted in a number of conflicts in the Commission. Due to the independent position of DG ECFIN where it concerns the SGP, the Secretariat General (SG)- and hence the President of the Commission - no longer has a coordinating role for the SGP nor in the writing of the macroeconomic advice in the MIP. The report of the Commission on the macroeconomic developments in the Member States is written by DG ECFIN, and falls under the independent role of the Commissioner. However, the indicators involve the work of other DG's (Innovation, Employment) but coordination with other DG's is guided by ECFIN. DG ECFIN cooperated closely with especially DG EMPL and DG TAXUD, but produced its own report. The draft report is sent to the SG only in the final stages. This was not a Commission report but a 'Staff Working Document' to underline that it did not go through the College but was indeed a document written by the independent Commissioner. The Staff Working Document concerns both the macroeconomic imbalances and the fiscal reporting.

Discussions around the presentation of the first fully revised semester document on 30 May 2012 concerned whether Barroso would present the reports – which would have signalled political interference and a coordination role of the SG – and whether the economic criticism in e.g. France as major economic actor would be strong enough. Insiders regarded criticism on France as the key test for the new independence of DG ECFIN. In the end, Rehn himself presented the documents and the press was highly positive about the independence that the Commission had shown also in relation to France as a potential problem country especially with the new socialist President Hollande (who was in terms of economic policies on the line of Barroso and much less of Rehn). Similarly, discussions had arisen within the Commission over the meaning of the 3% with Barroso tending towards a more political interpretation and Rehn defending his role as independent watchdog guarding over the 3% rule. This first presentation of the semester had been a victory for the independence of the Commission despite severe doubts expressed in interviews whether the Commission would be able to avoid the politics and the pressures of in particular the large Member States. Rehn gave the presentation, the 3% rule was maintained and all countries were treated equally severe and had not shirked away from business like criticism on all countries. As a good sign in view of the Commission's criticism, e.g. Dutch politicians complained that the Commission was interfering with national policies.

In addition to the new rules, DG ECFIN has expanded its staff with approximately 60 people in one year, so that there is now quite a large amount of staff for each of the countries demanding attention. Nowadays the country desks consist of experts recruited from for instance central banks and Finance Ministries and therefore combining hands-on national expertise and experts originating from other Member States to ensure the independence of the country desk. However, this is probably still far from sufficient to also monitor opaque developments e.g. in Spain and France and their regions. Staff limitations still imply that the Commission has insufficient means to deal with potential problems in the ms e.g. in banking or finances in the national regions.

Also the political consultations between Member States and commission officials were sharply reduced. Dutch officials indicated that they had not seen the documents until a few days before the commission presented them on the 30th of May 2012. Despite fears that bigger Member States would have been more successful in seeing the documents, this was probably not the case. What seems to have been emerging with these changes is the start of DG ECFIN as an independent economic analysis office.

National Level

The six-pack also recognised the need to strengthen national institutions needed for the data and the analysis. Moreover, the six-pack imposed a new 'budgetary framework' imposing the need to have independent budgetary authorities (Directive 2011/85/EU). The independence of national authorities and bodies was one of the most thorny issues in the negotiations in the six-pack and the proposal was watered down from the need to create independent budgetary authorities to ensuring 'functional independence' so that e.g. France can still have its budgetary authority within its Ministry of Finance (it may now be functionally independent, but it will still fall under the Ministry of Finance – not very trustworthy). The Netherlands has an independent budgetary planning authority (CPB) and an independent statistical office (CBS). Addressing the independence of supervisory authorities apparently remains sensitive and more steps seem to be needed before Member States have reliable economic institutions.

Administrative Control Conclusions

Despite the fact that the first round helped to establish the trust in the Commission, there are still a number of important features of the positions of national and EU institutions, and the processes behind the reports that deserve improvement:

- The position of an 'independent' Commissioner is untenable. A Commissioner is part of a college and hence falls under the President of the Commission and under the coordination role of the SG. The conflict was clear in the sense that the outside world, as well as officials involved in the European semester, has maintained their doubts over the ability to deliver and to keep on delivering independent opinions. This problem was also underlined by e.g. the highly political remarks Olli Rehn made on sovereign bailouts of Spain[13]. An independent Commission cannot be independent in one area and political in another. Hence, it seems unavoidable that parts of DG ECFIN are made independent and turned into an independent economic agency (also in accordance with article * of the six-pack). Looking at the sensitivities, this move will be strongly resisted by the Commission – which would not like to loose staff nor powers - and Member States (Everson et al. 1999; Schout 2010).

- The Commission (or agency) would need to invest heavily in the further capacities to be able to truly – and more independently - analyse economic situations in the Member States.
- Member States have to ensure that they have independent budgetary authorities (including independent statistical authorities and economic analysis authorities). This, however, was one of the most heated debates in the negotiations on the six-pack. Clearly, Member States such as France lack a tradition of independent economic authorities. There is still a long way to go before Member States have reliable and independent statistical offices, economic and budgetary analysis bodies, tax collection, etc.

Networks

In essence, the ECP and EFC have continued to function as before. The problem of lacking independent national authorities to support the input of these networks has remained. Hence, the networks still operate largely as semi-officials bodies. Better separation of transparent and independent input and official negotiations on the recommendations will remain vital to improve the horizontal learning in terms of input and output of the learning processes. Although there is a new definition on what makes public authorities independent, officals from these authorities state that they cannot always level with them because not everybody is regarded as equal in terms of independence and quality. Besides that they have limited contact with their counterparts.

Output legitimacy

On the whole, economic coordination has been somewhat reinforced in different ways: more and more precise rules, and better administrative procedures. Yet, the jury is still out on whether the different legal, hierarchical control, administrative and network measures will actually work. However, it is clear that the output legitimacy has been improved. The Fall European Economic Forecast from the Commission with letters to 5 Member States in November 2011 on their excessive deficit were quickly respected by four of the five Member States that reformulated their economic and budget plans. Rehn threatened with further steps in the EDP. Moreover, the interviews indicated that Member States are now much more inclined to adhere to the rules and the discussions in the context of the Spring Council 2012 in Ecofin, the European Council and the related preparatory bodies were clearly less friendly and more committal than in the past.

5 Conclusions

The multidisciplinary model presented in Table1 seems to offer a way to help diagnose the legitimacy of the European semester. It adds insights into where legitimacy problems have existed, where deficits still seem to persist, and, hence, where deficits can be repaired. In terms of output legitimacy, the precursors to the European semester were rightly generally seen as flawed up to the point where the euro was put in danger.

[13] Bloomberg news, Spain open to bailout: Rehn. 14-08-2012.

The model indicates that the European semester has made some progress in terms of input legitimacy. The competitiveness has become more supranational due to the strengthening in of the Commission's role in the six-pack regarding the macroeconomic imbalances procedure. The SGP has been reinforced through the state debt requirements and the specifications of the sanctions procedure. Remaining questions however arise on the enforceability of the MIP. The Commission can now take up the role of qualitative evaluator of economic policies in the Member States and with the different evaluation moments in the European Semester has been given a platform to show its competence. However as has been shown in the past it remains to be seen whether Member States use their room to manoeuvre. This also accounts for the voting behaviour of Member States when push comes to shove.

In terms of political control, the legislation and practices has strengthened the content of the documents and analyses. This supports the wider developments in the EU towards 'better' regulation (Schout & Sleifer 2013). With that, the European semester is becoming more 'technocrat' and hence offers a better starting point for more reliability (Schout 2011). It was the deliberate intension – under the pressure of first the northern Member States but later also of Sarkozy – to reduce political control on the semester. However, there still might be the traditional tendency for inserting new kinds of political pressures. First of all, it remains to be seen whether Member States will continue being interested in being politically controlled by the procedures also after most of the economic crisis is over. Secondly, it remains to be seen whether the Van Rompuy Task Force Report on deeper integration will change the structures and offer opportunities for inserting new kinds of political micro-management e.g. through enhancing control of EP or through the creation of a super-president of Commission and Council.

Furthermore, national parliaments seem to be a major un-explored source of political control. Parliaments have kept themselves by and large outside the discussions on the state of the European economies – not much has changed in this respect. There is very little discussion on the – too limited? - role of national parliaments in the European semester in academia as well as the political worlds.

The model also leads to remaining gaps in the administrative controls. The Commission cannot guarantee its independent supervisory roles (it is a college, it lacks staff, political and independent roles are overlapping). Moreover, national administrations lack necessary institutional structures to guarantee the quality and independence of the information. This is particular worrying: the crisis showed that institutional capacities in Member States did not converge.

This also has implications for the EU networks. What exists – with the EPC and EFC – are mainly official networks in which Member States defend their political interests. Although the eurozone – and the EU more generally – has been developing networks of committees of central banks, economic planners, statistical offices etc., these networks are still not sufficiently designed in terms of independent administrative structures (Schout & Jordan 2004). The EU has so far been very reluctant to put national capacities on the political agenda. The quality of administrations is probably however one of the most sensitive issues in the EU as again underlined by the hard negotiations over the six-pack.

Under these circumstances, it is no wonder the eurocrisis broke out. The table therefore helps to point to some underlying causing that seem to have grasped insufficient attention. In addition, the model helps to contrast current discussions on deeper integration about more powers to the Commission and more EP control. Instead, the model points to the need to wake up national parliaments to take up their roles, to split the Commission (into a body that provides independent data and reports, that produced independent recommendations, and that monitors implementation of the recommendations independently), and to reinforce national structures (building national capacities in parallel to the independent capacities needed by the reformed Commission – and hence respecting the principle of subsidiarity).

This also means that without the necessary multidisciplinary analysis as provided above, the political discussions about further integration might lead to more centralization but by failing to address some of the structural weaknesses as identified here, this deeper integration will lead to even more euro-frustration. Deeper integration can therefore be perverse in two ways. It fails to address that national capacities (administrative and the involvement of national parliaments) are essential for the functioning of economic governance and seem to have to be addressed first of all. Secondly, under the current euro-frustration, discussions about 'more powers to Brussels' might alienate the public even further.

Bibliography

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