The European Commission and Fiscal Governance Reform: A Strategic Actor?

Keywords: European Commission, Fiscal Governance, Crisis, Supranationalism, Intergovernmentalism, Neoliberalism

Abstract

The intensification of the financial and economic crisis in Europe has added a new impetus into the debate over the possibilities for securing supranational fiscal integration within the Economic and Monetary Union (EMU). Since the literature on the European Union's (EU) response to the crisis is dominated by the study of intergovernmental politics, this article considers the previously neglected role of the Commission. A framing analysis of the Commission's crisis discourse is operationalised here, which is supplemented by interviews with senior officials located in DG ECFIN during key phases of the crisis. It is found that a supranational reform agenda was never internalised by the Commission. Instead the Commission acted strategically by framing the crisis around intergovernmental fiscal discipline. These findings suggest that, in line with the 'new intergovernmentalist' thesis, supranational institutions themselves may not be as 'hard-wired' towards supranationalism as is often assumed.

Introduction

This article analyses the Commission's response to the financial and economic crisis and the role of supranationality in the post-crisis European Union (EU) more generally. During this period, the focus of political scientists has often remained confined to analysing the evolution of decision-making within the various intergovernmental forums, including the European Council, ECOFIN Council and the more informal Eurogroup setting. Indeed, the EU's reaction to the crisis is one of the major case studies that support 'new intergovernmentalism' (Hodson 2011; Bickerton *et al*. 2015; 2015a). This theoretical approach argues that intergovernmental integration is the new normal in post-Maastricht Europe, with the supranational 'community method' in decline. The implication is that the Commission has been weakened as an actor in terms of its agenda-setting power. However, in terms of resources, the Commission is still a site of considerable expertise and technical knowledge, which is not inconsequential in EMU matters. Moreover, owing to a range of powers bestowed on it by the treaties, it is reasonable to expect that it can still act opportunistically and strategically to influence the policy agenda (Rhinard 2010:26). Finally, it is also notable that many of the major legislative initiatives pursued in response to the crisis have actually worked to strengthen the executive powers of the Commission over economic governance (Bauer and Becker 2014).

The focus of this article is on EU fiscal governance where it is possible to identify two distinct reform models: intergovernmental and supranational. This article takes seriously the central role of ideas in shaping EMU (Mcnamara, 1998; Verdun 2002).The main theoretical framework employed is discursive institutionalism, which considers the explanatory power of ideas and the interactive processes of discourse in an institutional context (Schmidt, 2008, 2010)[1]. It is applied through an in-depth framing analysis of the Commission's crisis discourse (Goffman1974), which is supplemented by interviews with senior officials located

[1]This undertaking will also be pursued with the aid of a selection of theoretically informed ideas drawn from 'historical institutionalism' (Hall and Taylor 1996; Pierson, 1996; March and Olsen 1999;).

in DG ECFIN and other key institutions involved in crisis decision-making. As well as linking individual policy frames to the different integration scenarios provided, the broader role of economic ideologies in determining preferences for EMU reform is also emphasised. Finally, the dominant framing devices being drawn upon by the Commission in response to the crisis will be placed in historical context and explored in terms of the wider interplay of ideas.

Theoretical and methodological framework

The Commission's role during the recent financial and economic crisis can be understood in the context of broad theories of European integration. From a certain vantage point, the financial and economic crisis would seem to exemplify the classic neo-functionalist dynamic of European Integration: a state of dynamic disequilibrium (in this case the asymmetries of the European political and economic system) leads to 'spillovers' and a gradual transfer of powers to the central level (Haas 1968; Rosamond 2005). However, as discussed in the introduction, the institutional response to the crisis is generally seen to have consolidated the intergovernmental element of the EU, with the European Council, ECOFIN Council and the Eurogroup providing crisis management and setting the agenda for reform. Bickerton*et al*. (2015; 2015a) coined the phrase 'new intergovernmentalism' in order to explain these dynamics.

New intergovernmentalism argues that the classic 'community method' of supranational led integration as enshrined in European law has not been obtained since the era of Maastricht (see Hodson 2011; Bickerton *et al*. 2015; 2015a). Instead, increases in EU powers since this date are understood as being led by intergovernmental processes and managed by decentralised policy-coordination or *de novo* institutions separate from the core supranational EU institutions, i.e. the Commission, the European Court of Justice, and the European Parliament (Bickertonet al. 2015). Notably, the empirical focus of new intergovernmentalism on more informal governance and on processes of 'deliberation' and 'consensus building' also means the approach is more open to focussing on the content of ideas and discursive interactions. As already noted, one consequence of the rise of the new intergovernmentalism in the post-Maastricht EU is the implied weakening of the Commission as an institutional actor. Moreover, Bickerton *et al*. (2015:712) argues, that far from resisting this shift towards more intergovernmental modes of governance, supranational institutions such as the Commission have actually been complicit with this: 'Supranational institutions are not hard-wired to seek ever-closer union'. Rather, they are understood as acting 'strategically' in accordance with their environment (Bickerton*et al*. (2015:712). This article seeks to test these hypothesis through a framing analysis of the Commission's discourses formulated in response to the intensification of the financial an economic crisis in Europe.

The main theoretical framework guiding the analysis is discursive institutionalism, which focuses on the role of ideology and discursive interactions in bringing about potential change (or continuality as the case may be) in a given institutional context (Schmidt 2008; 2010)[2]. Particularly useful is the distinction made between internal 'coordinative discourse' amongst EU policy actors and 'communicative discourse' taking place between the public and EU policy actors externally (Schmidt, 2005; see also Hay and Smith 2010). In this case, a framing analysis of the discourse produced by the Commission during the recent crisis period is applied (Goffman1974). Framing refers to how particular issues and problems are represented. In Entmann's classic definition to frame is 'to select some aspects of perceived

[2] The broader ontology here is based on a form of historical realism (Howell, 2013).

reality and make them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation for the item described' (1993: 52).This necessarily involves a form of bias in terms of prioritisation and including or excluding certain factors, as well as the constitution of agency. Policy framing refers to the representation of a particular problem/issue (in this case fiscal governance and monetary stability) and of a proposed solution to this: diagnostic and prognostic framing (De Ville, and Orbie 2011).

Ideational or ideological framing refers to the framing of broader ideas (Van Der Veen, 2005). In this case the core ideologies noted are neoliberalism and Keynesianism. The core tenet of neoliberalismis that economic activity should be determined by the market-based interactions of private individuals and companies rather than political institutions (Hayek 1962): it explicitly limits the role of the state to that of 'regulator' rather than a 'player' in the economy. Keynesianism stemmed from the economic tenets of Keynes and affords the state a key role in the economy in bolstering demand and moderating booms (Skidelsky1992: 572-624), and came to refer to a more interventionist approach to political economy in general. These are ideal type definitions and an institution such as the EU defies crude categorisation, but the dominance of neoliberalism within the EU and the Commission in particular has been noted (Anderson 2010; Holden 2015). A number of authors have also documented the entrenchment of neoliberal policy ideas within EMU, including a policy consensus over 'sound money and public finances' as a central part of a resolute commitment to price stability (McNamara 1998; Marcussen 2000). As macroeconomic theories, neoliberalism and Keynesianism are not geared towards explaining integration preferences within EMU. However, in the context of the EU financial and economic crisis, Keynesianism demands inter-state fiscal solidarity, which strongly implies the kind of deep pooling of sovereignty associated with supranationalism. In contrast, an intergovernmental approach would be largely confined to reinforcing fiscal discipline under the pre-existing stability and growth pact (SGP) framework, in line with neoliberal principles.

In order to identify the possible frames and contrastive perspectives that are likely to figure in the Commission's discourse on the financial and economic crisis, a wider review of the reform literature for EMU was completed (see below). Table 1 links different problem and solution policy frames uncovered to two different integration scenarios for EMU (Intergovernmental and Supranational), as well as to the broader economic ideological frameworks already mentioned (neoliberalism and Keynesianism)[3]. Here different policies for EMU governance reform are framed by a particular structure of arguments concerning problems and solutions, which can be uncovered through a close linguistic analysis of text (see Locke, 2004). In this case, individual frames are manifested by the existence or non-existence of key words, phrases and argumentative structures in the text. These categories can also be linked to patterns of reasoning that are guided by the core economic ideologies previously mentioned (Blyth, 2002). With policy documents that are a reaction to moments of crisis, it can also be expected that there may be competing frames within texts. Therefore, a close examination of the different framing devices interacting within a text is necessary for uncovering the reform priorities of the Commission.

In terms of timing, the analysis is focused around the framing activities that took place around the middle of 2012 as the reform debate turned to the more fundamental measures

[3] The role of economic ideology in guiding different policy frames is also discussed at length as part of the literature review (see below).

needed to fix EMU[4]. A key contribution to this debate was the Commission report released in November 2012 setting out its future vision for a strong and stable EMU architecture entitled, *A Blueprint for a deep and genuine economic and monetary union: Launching a European Debate*. Public policy texts are complimented by speeches from Commission officials and 10 semi-structured interviews that were carried out between 2013 and 2014 with senior members of DG ECFIN who participated directly in the major EMU reform deliberations[5]. The interview data allows the researcher to form a comparison between the official position of the Commission as set out in official discourse and what institutional elites' reform priorities actually entail. In line with the typology used by Schmidt (2005), as well as Hay and Smith (2010), the public documents are a part of 'communicative discourse', –part of a political/rhetorical strategy – , while the interviews offer samples of internal 'coordinative discourse', the precise – often nuanced – views of individual elites.

Following a framing analysis, the Commission will be placed in the wider ideational and institutional context within which it operates. Key here will be exploring the link between the dominant policy frames and the broader ideological underpinnings of EMU. The historical roots of the discursive environment will also be explored. At this juncture, historical institutionalism's focus on concepts such as 'path dependency' and 'critical junctures' is useful for helping understand the 'stickiness' that characterises many aspects of EU policy-making (Pierson 1996). Path dependency has been extensively discussed and analysed in

[4]See the remarks made by the President of the European Council following a meeting of EU leaders at the end of June 2012 where the prospect for a 'longer-term' reform vision for EMU was set out (Van Rompuy 2012).

[5] Additional interviews with senior officials located in the European Council, ECOFIN Council and Eurogroup were also carried during this same period.

relation to a number of policy issues and organisational situations (see Hall and Taylor 1996; March and Olsen 1999; Pierson 1996; Thelen and Steinmo 1992, amongst others).However this approach is not deterministic as there is room for departures from a particular pathway through 'critical junctures' or 'moments' when substantial institutional change takes place (Hall and Taylor 1996: 942). In sum, by linking framing analysis with broader processes of ideational and institutional change, it offers a more fruitful explanatory framework from which to discuss the Commission's role during the crisis.

Crisis and Reform in EU Fiscal Governance

The intensification of the financial and economic crisis in Europe around the middle of 2010 focused European policy-makers' attention on the suitability of running a common currency characterised by a profound asymmetry between a centralised monetary policy and a decentralised fiscal policy (Verdun 1998). Faced with a crisis of potentially existential proportions, the EU institutions, led by President Herman Van Rompuy*'s* special task force, initiated legislative action in order to try and calm market forces. Chief amongst the reform initiatives implemented in the early stages of the crisis included an economic legislative six-pack (adopted December 2011), an intergovernmental 'Euro Plus Pact' (adopted in March 2011) and finally a fiscal compact (an intergovernmental treaty adopted in March 2012) (Commission 2012). A defining characteristic of these early initiatives is that they were limited to building on the pre-existing Stability and Growth Pact (SGP) framework for fiscal discipline. Nevertheless, with market sentiment towards the Eurozone seen to be improving slightly come the latter end of 2012 (owing largely to rhetoric and exceptional monetary policy actions taken by the European Central Bank (ECB) under the leadership of Mario Draghi), the attention of European leaders switched to the longer-term measures required to fix EMU. It is against this backdrop that there emerged at least the possibility for marked increases in fiscal integration.

Support for a supranational model of fiscal integration can be traced back to the early scepticism amongst many economists concerning the viability of constructing a monetary union without accompanying mechanisms of fiscal solidarity (or transfer mechanisms) to offset asymmetric shocks within EMU(see Eichengreen 1990; Eichengreen and von Hagen 1996, amongst others). Following the recent emergence of a chronic balance of payments crisis in Europe, with the core member states profiting from surpluses and the periphery member states enduring chronic deficits, there have been renewed calls for EMU to be completed on the fiscal side (see DeGrauwe 2013). The majority of the policy suggestions put forward with this goal in mind have revolved around the implementation of twoneo-Keynesian fiscal solidarity mechanisms: 1) debt mutualisation and financial risk sharing instruments; 2) and the development of an EU fiscal capacity with a mixture of redistributive and/or stabilisation functions. First, suggestions for commonly issued securities include the so called European Safe Bonds (Euro-nomics group 2011), Eurobills-blue/red bond (Delpha and von Weizsäcker 2010) and Redemption bonds (Bofinger*et al*. 2011). Second, in terms of the development of a centralised fiscal capacity, a Bruegel Policy Contribution details the four main options for purposes of stabilisation of regional shocks within the euro area: 1) unemployment insurance; 2) payments related to deviations of output from potential; 3) the narrowing of large spreads; 4) and discretionary spending (Wolf 2012). Of course, the implementation of such far reaching fiscal solidarity mechanisms within EMU would be dependent on significant transfers of sovereignty to the EU level in order to prevent negative spillover effects and guard against fears of moral hazard (IMF 2013). Fiscal policy and the ability to tax and spend is also highly salient in a political context and remains deeply rooted at the national parliamentary level in Europe. Consequently, the need to ensure democratic legitimisation is likely to be far stronger (Scarpf 2003). Deeper fiscal integration would therefore need to be matched by parallel steps towards the development of a flanking political union in order to address the ideas of democratic legitimacy and accountability[6].

The alternative to a supranational EMU can be labelled as the ‘intergovernmental model’ as it would preserve the fundamentally decentralised nature of fiscal policy making in Europe.In discussions, support for this model is often intertwined with a crisis narrative of fiscal profligacy, which places neoliberal ideas of fiscal discipline at the heart of any account of the crisis (von Hagen *et al*. 2009; 2011; Sinn 2010). The adoption of the government profligacy explanation enables the resistance of supranationalism and discussions of European solidarity in favour of a more limited fiscal discipline agenda, which can be pursued through the pre-existing legal framework. Here the main focus is restricted to measures building on, rather than replacing, the SGP framework for fiscal discipline. Moreover, the lack of a flanking political union capable of applying European-wide democratic standards would mean legitimacy and accountability mechanisms would remain largely indirect under this more limited model of integration (through national ministers and Heads of State or Government within the Council and European Council).

With two distinct reform paths laid out for EU fiscal governance, it is possible to identify some of the key frames and contrasting perspectives that are likely to figure in the Commission reform discourse on the financial and economic crisis (see Table 1). A distinction is made between the diagnosis of the problem and the solution arrived at that may deal with the difficulty. Together the different framing strategies can be understood as

[6]This follows in the tradition of ‘no taxation without democratic representation’.

supporting either intergovernmentalist or supranational models of fiscal integration. Guiding the more limited intergovernmental model of reform is an intellectually simplified representation of the crisis as one resulting from fiscal profligacy amongst certain member states. Such representation of the problem already implies a given solution in the form of strengthened neoliberal fiscal discipline, which can be secured by building on the pre-existing SGP framework. Framing the crisis in these terms may also be more politically expedient as it is not dependent on the prospect of challenging integration steps being taken in the direction of full fiscal and political union.

Alternatively, the supranational model of reform is underpinned by a more comprehensive diagnosis of the crisis as a balance of payments problem, with a focus on both private and public debt build-up. Here potential solutions are also not limited to strengthening fiscal disciple within EMU, but are instead framed in terms of completing fiscal integration within the asymmetric EMU framework. This is understood as demanding substantial debt mutualisation amongst member states and/or the development of an enlarged EU budget function in order to offset asymmetric shocks. At an ideational level, this framing strategy is underpinned by Keynesian ideas of financial solidarity between member states. Politically, the problem of ensuring sufficient channels of democratic legitimacy and accountability throughout the reform process is also problematised here. This is understood to demand the development of a flanking political union to accompany integration on the fiscal side.

Table 1: The Framing of EU Fiscal Governance Reform

	Fiscal Union	**Political Union**	**Model of Fiscal Federalism**
Intergovernmental Reform Model	The crisis is framed as a problem of **Fiscal profligacy** amongst certain member states. Reform solutions limited to strengthening **neoliberal fiscal discipline** within EMU through the implementation of reforms building on the rules-based SGP framework.	Limited references to political reform. Relies on **indirect legitimacy** via representative of member states in the Council and European Council.	**Limited model of fiscal federalism**: rules-based fiscal union with indirect channels of democratic legitimisation.
Supranational Reform Model	The crisis is framed as **balance-of-payments** problem resulting from the accumulation of private debt. Reform solutions centred on completing EMU by increasing **neo-Keynesian fiscal solidarity mechanisms** through debt mutualisation and/or the development of an enlarged EU budget function. Fiscal transfers understood as dependent on a **centralisation of budgetary sovereignty** at the European level.	Problem of accompanying reform process with sufficient channels of **democratic legitimacy and accountability.** Solution in the form of the development of a flanking **political union** aspect, via a strengthening of the European Parliament (alongside increased involvement of national parliaments).	**Far reaching model of fiscal federalism**: full fiscal and political union.

Framing the Eurozone Crisis

Communicative Discourse

In November 2012, the EU Commission released a communication setting out its future vision for a strong and stable EMU architecture entitled, *A Blueprint for a deep and genuine economic and monetary union: Launching a European Debate*. Within the blueprint, the Commission reframes the crisis as a problem of fiscal profligacy. For example, the Commission strongly links the onset of the crisis events with the 'insufficient observance of and respect for the agreed rules underpinning EMU as laid down in the Stability and Growth Pact' (European Commission 2012:2). This lack of compliance with the SGP framework by member states is understood as giving rise to 'budgetary slippages during good times, and an inability to bring down the debt levels of highly indebted countries' (European Commission 2012:2). Fiscal profligacy and the failure to adhere to the SGP rules is therefore labelled as being 'at the heart of the challenges faced by the euro area', although the role of 'financial markets', 'competitiveness gaps', and 'growth divergences' are also highlighted as secondary challenges that need addressing (European Commission 2012: 2-3).

As part of an earlier address in June 2011, the Commissioner responsible for Economic and Monetary Affairs and the Euro, Olli Rehn, was even more explicit in framing the crisis primarily as a fiscal problem arguing that,'[T]he fundamental reason for the turbulence in the sovereign debt market is that there is no trust in the market that some member states do the necessary fiscal and structural reforms to service their debt' (Rehn 2011). The following November, the same Commissioner reiterated that the fundamental causes of the crisis lie in the inadequate fiscal policies of certain member states:

> The financial crisis revealed certain systemic weaknesses in the EU's economic and monetary union. Many countries in the euro area did not use the opportunity of good times in the first decade of the euro to put their fiscal houses in order. When the crisis hit, it exposed those countries where imbalances were large and/or public finances were in a bad shape (Rehn 2011a).

In sum, the Commission repeatedly frames the crisis as the result of fiscal profligacy amongst certain member states. It is also notable that there is little reflection as to the possibility that the crisis may have originated from broader structural deficiencies inherent within the single currency area related to the lack of a deeply integrated fiscal union.

With the crisis being re-framed in these terms, it is unsurprising that the immediate solutions advanced in the Blueprint for a Deep and Genuine EMU are limited to the implementation of intergovernmental fiscal discipline. For example, the Commission reaffirms its commitment to ‘budgetary discipline’ as an ‘essential safeguard of the stability of the euro area’ (European Commission 2012:14). It is then emphasised that ‘immediate priority’ should be given to the full deployment of the new economic governance tools brought by the ‘six-pack’, as well as the rapid adoption of current Commission proposals such as the ‘two-pack’(European Commission 2012:12).This logic follows for the Commission as the legislative reforms introduced under the 'six-pack' and 'two-pack' are focused overwhelmingly on ‘strengthening the SGP framework for fiscal responsibility’(see European Commission 2013).

As part of a May 2011 address, during the height of the negotiations on the six-pack, President Barroso had already sought to identify the strengthening of the SGP framework for fiscal discipline as a priority solution to overcoming the challenges revealed by the crisis:

> Europe has a set of rules in place to guarantee sound public finances—the Stability and Growth Pact. But these rules need to be respected, and so giving real teeth to the Pact is crucial. For, as we have seen, by not being effectively implemented or enforced, the Pact inevitably lost some credibility. Yet, we have now learned the hard way that excessive debt and public deficits in one Member State can damage the wider euro area and the European Union as a whole (Barroso 2011a).

In a similar vein, the following November Commissioner Olli Rehn reiterated the importance of reinforcing rules-based fiscal discipline in order to cement what is termed as a 'stability culture' in Europe:

> Now we must bring the stability culture to fiscal policy. We have made progress: new legislation to strengthen the Stability and Growth Pact proposed a year ago will enter into force shortly. It will allow us to tackle both fiscal and macro-economic imbalances of a Member State much earlier than has been the case (Rehn 2011).

The Commissioner also left it in no doubt that that the EU executive 'will present two proposals that bring further stability to fiscal policy of the euro area' in order to underpin this so-called 'national stability culture' (Rehn 2011). In sum, the framing of solutions by the

Commission for overcoming the immediate challenges posed by the crisis are largely limited to the implementation of intergovernmental fiscal discipline.

However, over the medium to long-term, there is a shift in the Commission discourse within the blueprint towards a more supranational model of integration. This is in keeping with the Commission's declaration that 'steps towards more responsibility and economic discipline should be combined with more solidarity and financial support' (European Commission 2012:12). In accordance with these objectives, the blueprint proposes that a range of 'solidarity' mechanisms be set up over an extended time period, including an autonomous 'fiscal capacity' (or 'federal budget') for the euro area (European Commission 2012:31-32). This is also in keeping with Commission President Barroso's 2012 State of the Union address where he argued that, to deliver lasting results, Europe needs a 'fully equipped Community economic governance together with a genuine, credible Community fiscal capacity' (Barosso 2012). In the blueprint, it is reasoned that such a fiscal capacity could eventually be set up on the basis of own resources and utilized to provide 'targeted financial support for the Member States facing adjustment difficulties'. (European Commission 2012:25-26). Moreover, the possibility is also floated for permitting limited forms of 'debt mutualisation' over the long-term in order to tackle the 'excessive debt' and 'financial instability' that has been triggered by the crisis (European Commission 2012:25-26).

As would be expected, in the blueprint increased fiscal solidarity over the long-term is ultimately understood as being dependent on 'the progressive pooling of sovereignty at the European level' (European Commission 2012:12). In a speech in February 2013 Olli Rehn commented at more length on the necessity of rebuilding EMU in accordance with these twin ideas:

> In our view, the essential guiding principle must be that any step towards increased solidarity and mutualisation of economic risk be combined with increased responsibility and fiscal rigour: that is, with further sharing of sovereignty and deeper integration of decision-making within the eurozone (Rehn 2013).

Following this logic, the blueprint offers three non-exclusive paths to be taken towards a centralisation of budgetary decision making including: 1) the full power of revision over national budgets; 2) tighter monitoring and coordination; 3) and the harmonisation of national budgetary laws (European Commission 2012:26-27). A guiding principle, then, is that increased solidarity at the European level is met with further sovereignty transfers by member states and deeper fiscal integration within EMU.

As a further reflection of the embedding of a supranational discourse over the long-term, there are also discussions within the blueprint concerning the development of a flanking 'political union' to accompany integration on the fiscal side. At the heart of this framing device the Commission places the problem of ensuring the 'democratic legitimacy and accountability of decision-making' (European Commission 2012:35-41). Assuming a successful process of centralised fiscal integration over the long-term, the blueprint lays down as a solution the idea that 'it is the European Parliament that primarily needs to ensure democratic accountability for any decisions taken at EU level (European Commission 2012:35). This solution has clear supranational connotations: 'A further strengthened role of EU institutions will therefore have to be accompanied with a commensurate involvement of the European Parliament in the EU procedures' (European Commission 2012:35). However, the procedural details and the precise nature of the balance to be struck between the European and national level parliaments are left ambiguous.

A level of ambiguity was also reflected in comments made by the President of the European Commission as part of his 2012 State of the Union speech when he referred to the need to move towards a 'federation of nation-states':

> I call for a federation of nation-states. Not a super-state. A democratic federation of nation states that can tackle our common problems, through the sharing of sovereignty in a way that each country and each citizen are better equipped to control their own destiny (Barosso 2012).

The idea is nebulous as a 'federation of nation states' does not address exactly in what manner competencies should be shared between the national and European level, although this Kantian concept is significant for its supranational implications. Of course, the undetermined nature of the discourse on political union is not unexpected given the complacency of the Commission regarding the mechanisms for securing democratic legitimacy and accountability under the current legal framework. Nevertheless, a commitment to political union, albeit loosely defined, is significant in that it is further evidence of the embedding of a supranational discourse over the long-term.

Coordinative Discourse

Overlapping with the communicative discourse, senior officials located in DG ECFIN have privately internalised framing strategies which emphasise intergovernmental fiscal discipline as the essential solution to the crisis. For example, one secretariat official defended the prioritisation of measures designed to strengthen the pre-existing SGP framework:

> The full implementation of the measures put forward by the 'six-pack' and the 'two-pack' is the correct priority for me...And now, at least in the fiscal area, the priority is implementation in order to see if all these new reforms strengthening the SGP instrument work well and that member states are convinced of the need to stick to them; that the Commission sticks to its role of pointing to the member states that do not do so; and to ensure that the new legislation are fully followed, let's say (Secretariat official in DG ECFIN 1, 2013).

Equally, when commenting on the 'six-pack' and 'two-pack', a Senior Director remarked that: 'It is very important that these measures for reinforcing fiscal discipline within EMU are implemented for real and that all the players really take it seriously' (Senior Director in DG ECFIN, 2013).

The framing of intergovernmental fiscal discipline as a priority solution to the crisis events that befall the euro area is also again seen to result from a simplification of the crisis problem as one resulting from fiscal profligacy. For example, one policy adviser rationalised just such a reading of the crisis*:*

> The focus, of course, in the first years of the crisis was on the preventative side. That means strengthening the fiscal rules of the SGP, which is logical. I mean that is where it went wrong right? That is why we got into this mess. So the natural response is to fix the gaps (Policy Adviser in DG ECFIN, 2013).

In a similar vein, another senior fiscal policy advisor reasoned that, ‘the crisis has demonstrated clearly the need for these enhanced surveillance instruments’ (Senior Fiscal Policy Advisor in DG ECFIN, 2013). Moreover, the same official also raised the prospect that ‘maybe the Commission will need to consider additional proposals to strengthen fiscal surveillance further in the future’ (Senior Fiscal Policy Advisor in DG ECFIN, 2013). One member of the secretariat was even more precise in their explanation that ‘the measures expected to come into force are good because we need to ensure that the events in Greece cannot be repeated’(Secretariat official in DG ECFIN 2, 2013). The official was also keen to emphasise that in the run up to the crisis the ‘Commission was a bit too lenient with regard to certain member states’ (Secretariat official in DG ECFIN 2, 2013). In terms of the immediate framing of the crisis, then, there is a high degree of overlap between the communicative discourse and the interview discourse from senior officials located in DG ECFIN. Both converge heavily in the short-term around intergovernmental fiscal discipline as the most immediate solution to the crisis, based on an understanding that profligacy caused the crisis.

In terms of the framing of the crisis over the longer-term, there is at this point a notable disconnect between the public communicative discourse and the private coordinative discourse internalised by officials located in DGECFIN. The former tailored its reform discourse over time towards a growing emphasis on supranational solutions within EMU, with the language of fiscal solidarity, budgetary integration and sovereignty transfers becoming increasingly prominent. However, this language is noticeably absent in the interview discourse from officials located in DG ECFIN during the crisis**.** Instead, the officials express scepticism over both the desirability and political feasibility of employing supranational solutions in response to the crisis. One Senior Director touched on both these issues when discussing the potential for a fiscal capacity for the euro area or a substantial mutualisation of member states sovereign debt:

> Are they necessary now, in three years' time or in five years' time? Are we all going to die all together if we do not have it? Probably not. I think everyone agrees now that all the political capital should be put towards banking union, which is sufficiently difficult(Senior Director in DG ECFIN, 2013).

Similar sentiments over the desirability and political feasibility of such reforms were expressed by one policy advisor who made the distinction between what represents a 'needs-based and what we think is a profitable way of going towards a stable Union' (Senior Director in DG ECFIN, 2013). When applying this logic to the prospect of supranational integration within EMU the official was clear: 'So I think while debt mutualisation and fiscal transfers could be profitable, I do not think it is absolutely necessary' (Senior Director in DG ECFIN, 2013).

Again the remaining officials in DG ECFIN express similar doubts over both the desirability and political feasibility of employing supranational solutions to the crisis. For example, one senior fiscal policy advisor was noticeably ambivalent in their analysis: 'I think there needs to be some ingredients of fiscal union. It's not entirely clear which ones and to what extent; there are different views and these are tricky questions' (Senior Fiscal Policy Advisor in DG ECFIN, 2013). Likewise, when discussing the reforms required to stabilise EMU over the long-term, a separate official remarked that they were 'reticent to have a full vision' (Official in DG ECFIN, 2013). This is because they reasoned 'it's not a pure economic decision—in that there is no right and wrong' (Official in DG ECFIN, 2013). Also, once again, the political difficulty of the reform process was alluded to:

> [I]f you just talk of a large budget we will not get anywhere, so what we need is to put down some stones in order to go in this direction—although the end result may not be entirely clear or entirely predetermined at the beginning of the process(Senior Fiscal Policy Advisor in DG ECFIN, 2013).

In sum, there is a reasonable degree of scepticism on the part of officials in DG ECFIN over both the desirability and, in particular, the political feasibility of advancing solutions involving deeper fiscal integration in Europe. Of course, such scepticism runs contrary to the emergent supranationalism within the Commission's public framing of the crisis.

Similar discrepancies between the communicative and coordinative discourse can be found when discussing possible integration steps towards a flanking 'political union' to accompany integration on the fiscal side. Here the interview discourse framed the strengthening of the European Parliament as a necessary measure in order to underpin the values of democratic legitimacy and accountability within the reform process. However, this supranational ambition for the European Parliament is not reflected by officials in DG ECFIN. For example, one senior director was only able to provoke more questions than answers when considering the possible institutional dynamics of any future political union with EMU:

> If a policy competency is moved to the European level, then it also has to be clear that this has been moved to the European level. And then, maybe, it is the European Parliament that could take on a role. Also, maybe experts could think of some kind of way to involve national parliaments—maybe a consultative role or something like this—but I do not know(Senior Director in DG ECFIN,2013).

The same official was also keen to emphasise that any such discussions will be inherently tricky because of the political sensitivities involved here: ‘I think it is challenging to come to a clear specification because that implies political trade-offs and in the end someone has to give up something’ (Senior Director in DG ECFIN, 2013).

One policy adviser was equally short on detail when asked what specific steps need to be taken in the future towards political union. They reasoned this is because ‘it depends entirely on the steps we take on the road to further fiscal integration’ (Policy Adviser in DG ECFIN, 2013). When discussing this same topic, an official did clarify that the European Parliament would ‘want to play an enhanced role’—and they added that ‘it would be very difficult not to give it a role’ (Official in DG ECFIN, 2013). However, there was no clarity given as to whether this role would be limited to advisory or consultative powers or if alternatively the European Parliament would be given real legislative power over budgetary matters. Finally, one senior fiscal policy advisor questioned if the debate should be centred on the European Parliament at all: ‘So while I am happy to say democratic legitimacy and empower the parliament, I am worried about the executive. I think we need to think about having an executive that is really an executive in Europe' (Senior Fiscal Policy Advisor, 2013).In contrast to the public discourse, the interview discourse points towards only a limited ambition for progressing towards a more supranational political union. In fact, officials have at best a limited vision of how political integration should evolve in the future, and the whole concept is greeted with a high degree of scepticism.

Policy Framing Environment

How are these disparities between the different communicative and coordinative voices of the Commission to be understood? It is not a case of the tension between the bureaucratic and political elements of the institution (Nugent and Rhinard 2015), as both of the narratives discussed are inevitably political. Instead the Commissions framing activities must be placed in historical context and understood in terms of the wider interplay of institutions and ideas. Firstly, the embedded ideational framework is clear**.** In the early 1980s, there was a shift in economic thinking amongst the monetary authorities of Europe away from Keynesianism in favour of neoliberalism and its early financial counterpart 'monetarism' (McNamara 1998). In the context of European monetary integration, monetarism therefore became the dominant ideology from which to frame the workings of macroeconomic policy in the single currency area (De Grauwe 2007). Yet, while there emerged a strong consensus around monetary policy objectives during the negotiations leading up to the signing of the Maastricht treaty, the inevitable tension that would result within EMU between a centralized monetary policy and an essentially decentralized economic and fiscal policy remained largely ignored. As Verdun remarked, 'Fiscal policy harmonisation was just simply one step too far; there was no support for a transfer of sovereignty over these matters' (1999:122). While political exigencies dictated that there would be no supranational fiscal authority in Europe, from the standpoint of aligning EMU with the neoliberal 'sound money and public finances' consensus, integration was not finished at Maastricht. Instead, the rules-based SGP of 1996, pushed for at Germany's insistence, further institutionalised intergovernmental fiscal discipline as the bedrock of EMU.

Following the initiative to create a single currency area, the trajectory of reform has been a highly path-dependent process (see Heipertz and Verdun 2011). It was based on an ideational framework of neoliberalism, embedded in rules, institutional practises and legal norms, and was further consolidated by the geo-economic power of Germany. However, the intensification of the financial and economic crisis in Europe in 2010 onwards offered the prospect at least of a 'critical juncture' event from which new economic and poltical policy choices could originate for EMU (Pierson 1996). Yet a combination of ideational and institutional barriers to reform can be detailed which may have worked to discourage the Commission from employing supranational framing strategies through its coordinative discourse. First, the Commission was acting in response to and experiencing what has been termed as a crisis of 'existential proportions': an existential crisis for the Eurozone and the EU (as termed by a senior Advisor to the European Council President, 2014). Furthermore, the Commission was also forced to try and regain the political initiative at the regional level lost to the global financial markets, which were seen to move faster than the EUs ability to react (De Grawu and JI 2013).In sum, the crisis environment posed considerable risks (e.g. contagion, sovereign default or disorderly exit), while at the same time exposing EU policy-makers to unpredictable market forces.

Functioning in this crisis environment, the Commission would have been under pressure to offer a quick diagnosis along with effective solutions to mitigate the financial and economic turmoil. This would have encouraged DG ECFIN officials privately to frame the crisis in a manner that is politically and intellectually easier. Certainly, framing the crisis problem as fiscal profligacy and pushing reform solutions limited to intergovernmental discipline was consistent with the current legal basis provided by the Maastricht treaty. Crucially, these policy frames also conformed strongly to the neoliberal ideational framework historically underpinning EMU governance. Furthermore, it was also as a reaction to the crisis events that intergovernmental decision-making became of heightened importance (Puetter 2012). The Commission, then, was also faced with the risk of having its authority and traditional legislative role within EMU undermined by a resurgent European Council led by the newly appointed Herman Van Rompuy. This would have only further intensified pressure within the Commission to act strategically by framing the crisis privately in ways which are less challenging both politically and intellectually.

DG ECFIN officials were also faced with the political difficulty of overcoming the substantial differences of opinion amongst member states in a policy area that remains deeply rooted at the national level. As one Senior Director in DG ECFIN remarked:

> Of course, some people take the view that fiscal transfers or a significant mutualisation of debt are necessary to stabilise the debt situation of periphery member states. Yet everyone knows that these measures would require significant transfers of sovereignty of the sort that a number of states, including France, would outright object to. AlsoChancellor Merkel is firmly opposed to large sums of money being transferred to the periphery.

> These are major obstacles; it is the reality we face (Senior Director in DG ECFIN, 2013).

In view of existing tensions amongst member states over sovereignty concerns and issues of moral hazard, such caution is understandable. Of course, deep fiscal integration was also made more politically challenging for the Commission to secure by the well-publicised lack of desire amongst member states to push for changes to the treaties. Again, the lack of support for a revision of the treaties amongst member states across Europe was a topic highlighted:

> I think that initially there was some muted support for treaty change amongst European leaders. However, as the crisis has progressed, it is becoming clearer that a revision of the treaties may be out of reach for the foreseeable future. This means that there are limits to how far reform can be progressed(Official in DG ECFIN, 2013).

Given the shrinking political support amongst member states to push for amendments to the treaties, it leaves the scope of the existing reform agenda largely restricted to the revision of secondary legislation. Together, given the constraining discourses amongst member states and the lack of desire within the European Council to secure treaty change, the Commission officials would have been further discouraged from internalising a supranational reform agenda.

Conclusion

Since the intensification of the financial and economic crisis in Europe, the Commission has worked hard to ensure it that it has been a position to influence the emerging EU fiscal governance reform debate. However, operating in a situation of crisis and faced with a significant shift towards more intergovernmental modes of governance within EMU, the Commission acted strategically to frame the crisis around intergovernmental fiscal discipline. Framing the crisis in these terms was politically easier to formulate as such measures could be secured under the pre-existing SGP framework. Moreover, these policy frames conformed ideationally with the historically embedded neoliberal consensus within EMU. While there was an emergent supranationalism in the communicative discourse of the Commission over the longer-term, this element was found not to have been internalised in the coordinative discourse by officials in DG ECFIN. This was because offering supranational solutions to the crisis would have been politically high risk in view of the path-dependencies characteristic of the policy area, the significant constraining discourses amongst member states, as well as their strong lack of desire to explore treaty change as an option. Instead supranational framing devices acted more as a discursive strategy to mask a crisis response that at its heart is concerned with implementing intergovernmental fiscal discipline.

In terms of the literature, these findings suggest that supranational institutions themselves may not be as hard-wired towards supranationalism or centralisation as was often assumed (see Pollack 2003). Instead, the Commission’s response to the crisis was more in line with the key hypothesis laid down by the new intergovernmentalism, which expects supranational actors to behave ‘strategically’ in accordance with their environment (Bickerton et al. (2015). Indeed, in framing the crisis, the Commission firmly shunned idealism in favour of a strategy that was both politically and intellectually feasible. Moreover, by formulating a practical crisis response, the Commission also pursued a strategy that would best preserve its power and influence at a time when the political centre of gravity has shifted further towards intergovernmental institutions. In terms of broader findings, this article also helped develop a deeper understanding of the ideational and institutional forces preventing an edging towards supranationalism within EMU. Of course, the major implication here is that the current integration phase will yield at best incremental reform; thus, implying that many of the major structural deficiencies within EMU present before the crisis may not be corrected. However, more research needs to be conducted into exploring the roots of the current impasse in European integration and in terms of exploring the long-term sustainability of an asymmetrical single currency area.

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Personal Interviews

Secretariat Official in DG ECFIN 1 (2013) Interviewed by the author (Brussels, 26th September).
Part of the Commission provided Secretariat located within DG ECFIN who contributes to the Economic and Finance Committee and Economic Policy Committee.

Commission Secretariat Official 2 (2013) Interviewed by the author (Brussels, 25th September).
Part of the Commission provided Secretariat located within DG ECFIN who contributes to the Euro group and Euro Working Group.

Senior Director in DG ECFIN (2013) Interviewed by the author (Brussels, 26th September).
Senior official in charge of coordination work between DG ECFIN and then ECOFIN Council, alongside other stakeholders.

Senior Fiscal Policy Advisor in DG ECFIN (2013) Interviewed by the author (Brussels, 23rd September).
Senior fiscal policy advisor to the Director General located within DG ECFIN.

Official in DG ECFIN (2013) Interviewed by the author (Brussels, 25th September).
Fiscal policy official: programme design and support

Policy Advisor in DG ECFIN (2013) Interviewed by the author (Brussels, 24th September).
Adviser on policy coordination and strategic planning

Advisor to the European Council President (2014) Interviewed by the author (Brussels, 4th April).
Senior advisor and spokesman to the President and responsible for shaping public messages on the euro crisis