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Managing Without a Budget: Public Management and the Rise of EU Governance

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Thesis submitted for the degree of
Doctor of Philosophy in International Relations

University of Sussex

October 2020

Declaration

I hereby declare that this thesis has not been, and will not be, submitted in whole or in part to this, or any other, University for the award of any other degree.

Signature:

Summary

This thesis addresses the often remarked shift since the 1990s from ‘government’ to ‘governance’. A key part of the governance paradigm has been the construction of public authority at a supranational and local level beyond the central nation-state, and the explosion of managerial policy instruments like benchmarks and indicators. Compared to neoliberalism’s assault on the state in the 1980s, the concept of governance highlighted the return of planning as a networked, entrepreneurial, and strategic endeavour of Third Way social democracy. Puzzlingly missing in depictions of a new age of state activism was a major instrument of public policy – the budget. The governance paradigm referred to private finance, not public finance; policy networks, not budgetary appropriations.

This thesis addresses European integration in the 1990s as a paradigmatic case of the governance turn. The creation of the EU in 1992 deeply integrated markets but without a joint supranational budgetary capacity to match. Instead, member states were meant to coordinate their policies through rules, guidelines, and quantitative benchmarking exercises collectively characterised as ‘EU governance’. Critical literature on the EU explains governance as the triumph of neo/ordoliberalism. The trouble with this critical literature is that the managerial policy instruments that characterise the governance paradigm fit uncomfortably with the principle-based rule of ordoliberalism and neoliberal antipathies to state information processing.

I instead retrace the governance turn to state planning in the mid-twentieth century. I show how the governance paradigm in the 1990s reflected the re-articulation of planning at a supranational level using techniques of information processing and strategising by new social forces of public management. The significance of the governance paradigm is therefore how supranational institutions in the EU have used the forces and format of public management to overcome the familiar challenge of international organisations that they lack both budgetary and coercive means of policy-making and implementation.

Acknowledgements

This PhD gained a small reputation of being boring. Not only did I choose to study the banal world of Brussels, I used the seemingly duller history of budgeting through which to understand it. If my topic of study is supposedly boring, the process of the PhD was anything but. Crucial to this were the people. I hope this thesis goes some way to repaying these people and convincing them that Brussels and budgets are fascinating after all. Thank you to my supervisors Andreas Antoniadis and Samuel Knafo. A welcoming ALL CAPS email from Andreas convinced me Sussex is where I should be. Andreas has constantly supported and encouraged me. Sam has been invaluable to this project. He introduced me to the politics of managerialism and has provided unwavering advice and direction. I would also like to thank Thomas Conzelmann and Ian Bruff who supported me to put together the PhD proposal that led me to Sussex.

I've relied on the advice and friendship of many at Sussex. Sahil would read anything I put in front of him and has taught me a lot. Mareike has tirelessly offered me feedback and has been a great office mate. Rasmus has been crucial in thinking along together about EU political economy. Sophie was one of few that cared about governance. Amira, Evie, Laura, Laura, Michael, Chris, and Marius have been great office mates, friends, and colleagues that I have relied on massively. In particular, Kate has listened to every unprocessed thought and shared in every high and low; I could not have done it without your support, faith, and friendship. Thank you also to the Global Studies and Doctoral School office in supporting me navigate the practicalities of the PhD, in particular Kit and Shelley.

Beyond Sussex, Dec, Matt, Tom, Tony, Steff, Chris, and Sebastián have been next to me for years, even if we've been hundreds of miles away. Eric and Alia welcomed me into their home and family – and Alia gave me the title. I could not have done it without your love and encouragement. Alex and I travelled a long and wonderful road together and I would not be here without you. Finally, thank you to my family – you have wavered between healthy scepticism and encouragement, but unquestioningly provided me love and support.

Finally, I want to thank those for their institutional and research support. I am grateful to the ESRC for funding this project, the Churchill Archives Centre in Cambridge and the Historical Archives of the European Union in Florence for helping me navigate their sources, the European Trade Union Institute for kindly hosting me on a visit to Brussels, and all my research participants for giving me their time and thoughts.

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List of abbreviations

ABM	Activity Based Management
BEPGs	Broad Economic Policy Guidelines
CAG	Competitiveness Advisory Group
CAP	Common Agricultural Policy
CERAT	<i>Centre de Recherche sur le Politique, l'Administration et le Territoire</i> (Centre for the Study of Politics, Administration, and Territory)
CFSP	Common Foreign and Security Policy
CGP	<i>Commissariat général du Plan</i> (General Planning Commission)
COVID-19	Coronavirus disease 19
CSO	<i>Centre de sociologie des organisations</i> (Centre for Organisational Sociology)
DG	Directorate-General
DG ECFIN	Directorate-General for Economic and Financial Affairs
ECB	European Central Bank
ECDC	European Centre for Disease Prevention and Control
ECJ	European Court of Justice
ECSC	European Coal and Steel Community
EDP	Excessive Deficit Procedure
EEC	European Economic Community
EIP	Excessive Imbalance Procedure
EIPA	European Institute of Public Administration
EMU	Economic and Monetary Union
EU	European Union
EP	European Parliament
EPSCO	Employment, Social Policy, Health, and Consumer Affairs Council
ERM	European Exchange Rate Mechanism
ERT	European Round Table of Industrialists

ESM	European Stability Mechanism
ETUI	European Trade Union Institute
FMI	Financial Management Initiative
FSU	Forward Studies Unit
GAPP	<i>Groupe d'analyse des politiques publiques</i> (Public Policy Analysis Group)
KGSt	<i>Kommunale Gemeinschaftsstelle für Verwaltungsmanagement</i> (Municipal Association for Administration Rationalisation)
IIASA	International Institute for Applied Systems Analysis
IMF	International Monetary Fund
IO(s)	International organisation(s)
LOLF	<i>La loi organique relative aux lois de finances</i> (The fundamental law relating to public finance laws)
MIP	Macroeconomic Imbalance Procedure
MoU	Memorandum of Understanding
MPIfG	<i>Max-Planck-Institut für Gesellschaftsforschung</i> (Max Planck Institute for the Study of Societies)
MTO	Medium-Term Objective
NEG	New Economic Governance
OCA	Optimum Currency Area
OECD	Organisation for Economic Cooperation and Development
OM(s)C	Open Method(s) of Coordination
OR	Operations Research
OSC	Office of Statistical Control
PFI	Private Finance Initiative
PBR	Payment by Results
PPBS	Planning, Programming, & Budgeting System
PPP	Public-Private Partnership
PRV	<i>Projektgruppe Regierungs- und Verwaltungsreform</i> (Project Group for Governmental and Administrative Reform)

RAND	Research and Development Corporation
RCB	<i>La Rationalisation des choix budgétaires</i> (The rationalisation of budgetary choice)
RQMV	Reverse Qualified Majority Voting
SEA	Single European Act
SG	Secretariat-General of the European Commission
SGP	Stability and Growth Pact
TAO	Technical Assistance Office
TFEG	Task Force Economic Governance
WEF	World Economic Forum
WHO	World Health Organization
WTO	World Trade Organization
WZB	<i>Wissenschaftszentrum Berlin für Sozialforschung</i> (WZB Berlin Social Science Centre)

Introduction

The COVID-19 pandemic must be the most data visualised crisis ever. As the virus developed over 2020, we have watched through a deluge of statistics. Creeping graphs of rolling averages rack up the body count of the infection. World maps with ever-expanding red circles plot the virus's global spread. Ticking numbers on scoreboards calculate case growth in our community, country, region, and world. While we all know the numbers of reported cases and deaths do not directly correspond to the virus's microscopic existence, it is through our visualisations of the data that we have come to see the invisible virus.

Our armchair epidemiology watching the virus unfold has relied on a variety of sources besides our national governments. International organisations (IOs) like the World Health Organisation (WHO) or the European Union's (EU) executive agency the European Centre for Disease Prevention and Control (ECDC) have moved from technical bodies working in the shadows of disease control to hotly clicked online source funnelling us the latest information and advice.¹ The elite research institution Johns Hopkins University has become a global repository of COVID-19 information, their online dashboard becoming a data command centre for the average citizen.² Global media organisations like the Financial Times' epidemiological tracker has turned data journalists into Twitter celebrities feeding us daily numbers.

The reliance on managerial techniques of data dashboards and the proliferation of authorities in world politics that COVID-19 has manifest speaks to one of the major theoretical developments in international relations this millennium – the transition felt from the territorialised unitary authority of national 'government' to a spatially and organisationally diffuse global 'governance' (Barnett & Duvall, 2004; Rhodes, 1997; Weiss & Wilkinson, 2013).

A key focus of the remarked rise of a governance paradigm that this thesis will address has been the growing weight of IOs in the global political economy. IOs have been key actors in building the world of numbers the COVID-19 pandemic has manifest. Michael Barnett and Martha Finnemore made a crucial observation at the turn of the millennium that IOs were more than puppets of powerful national governments. Instead, IOs were authoritative and semi-autonomous bureaucracies that were becoming key actors in the new world of global governance (Barnett & Finnemore, 1999, 2004).

¹ <https://www.ecdc.europa.eu/en/covid-19-pandemic>; <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

² <https://coronavirus.jhu.edu/map.html>

A pivotal aspect of Barnett and Finnemore's intervention was that IOs were building their power despite lacking the policy tools familiar to nation-states – namely a means of financing and infrastructures of policy implementation. Supranational authority was instead constructed by IOs by 'regulating' and 'constituting' the world in norms, procedures, and ideas. Building on this observation, André Broome and Leonard Seabrooke argue that IOs are 'cognitive authorities' that use their 'analytical institutions' to constitute the world in quantified benchmarks, standards, and best practices (Broome & Seabrooke, 2012).

A key feature of the growing literature on the cognitive authority of IOs is the power of numbers in policy-making (Clegg, 2010; Cooley & Snyder, 2015; H. K. Hansen & Mühlen-Schulte, 2012; H. K. Hansen & Porter, 2012; Mügge, 2016; Rottenburg et al., 2015). Lacking the carrot and stick leverage of financial resources to implement public policy, IOs have used techniques of performance management like indicators, benchmarks, or rankings to construct supranational authority. In this way, a key feature of the governance paradigm has been that supranational institutions seem to be able to *manage without a budget*.

The EU is a paradigmatic case of the changes that led scholars to remark at a new age of 'governance'. What is unique about the EU is that, despite having many of the responsibilities of a state, the EU has the governance tools more familiar to an IO. Similarly to a state, the EU manages the internal affairs of a single market and currency. In addition, and much like a state, the EU is partly responsible for maintaining a sovereign border and negotiating with third countries on a variety of issues. Unlike national government counterparts, however, the EU's supranational institutions mostly do not exert administrative influence through resource allocation.³ Indeed, when the Economic and Monetary Union (EMU) was agreed at the end of the last millennium, it confounded observers that common financial resources through a fiscal union were not agreed alongside the monetary union of the Euro. Instead of exercising fiscal policy jointly, the EU has attempted to coordinate the social and economic policies of member states through a variety of policy instruments of performance management that have been collectively labelled as 'EU governance'.

EU governance is today built from a patchwork of managerial techniques like benchmarking, scoreboarding, and evaluation. These techniques are used by supranational institutions and their national bureaucratic counterparts in partnership with an entire industry of

³ The supranational administration of bailouts during the Eurozone crisis was an exception to this. The controversy of these bailouts reflects their extraordinary nature.

policy consultants, analysts, evaluators, and auditors swirling the EU's policy machinery through framework contracts and tenders. The Stability and Growth Pact (SGP) monitors the fiscal performance of member states through fixed and enforceable rules on public deficits and debts. The Macroeconomic Imbalance Procedure (MIP) attempts to do the same in macroeconomic affairs. Since the 1990s a jumble of Open Methods of Coordination (OMsC) and development strategies of the Lisbon Agenda and Europe 2020 set a strategic direction and monitor performance in the EU under a banner of benchmarking competitiveness. Since 2010, the European Semester policy-making architecture has turned the many policy instruments in the EU into a systematic cycle of coordination. Strategic management and information processing dominate EU governance.

While scholars of public administration remarked at the rise of a governance paradigm in the EU, most critical literature on integration wrote 'governance' off as an ideological fad normalising neo/ordoliberalism. Indeed, there was good reason for this. Critical perspectives on the EU have documented the political weight of neoliberal marketization in steering the recent history of European integration (Cafruny & Ryner, 2003; van Apeldoorn, 2003; Warlouzet, 2018). There is significant variation within the literature on neoliberalism and European integration. But it has broadly conceived of the process as stemming from a 'globalist' ordoliberal project, anxious over the encroachments of majoritarian democracy on the functioning of markets and nationalistic public choice arguments over the illegitimacy of international fiscal transfers across communities unbound by blood (Slobodian, 2018). Through international law and rules, the EMU is seen as an 'economic constitution' that removes monetary and fiscal policy from the whims of national democratic politics (Bonefeld, 2001). In this way, the EMU is conceived as part of a 'new constitutionalism' that locks in a disciplinary neoliberal agenda of deepened marketization in the interests of US-centred transnational capitalism (Bieler & Morton, 2001; Cafruny & Ryner, 2003; Gill, 1998; van Apeldoorn, 2003).

Against the political weight of neoliberal marketization, the introduction of managerial policy instruments was not a development that warranted proclamations of a paradigmatic shift to 'governance'. Instead, critical scholars of the EU have mostly read the governance paradigm in terms of how it reproduces neoliberal integration rather than anything distinctive from it. Often placed in Neo-Gramscian and neo-Polanyian terms, managerial instruments of benchmarking are seen as the technical means through which neoliberalism exercised hegemony at a discursive or symbolic level (van Apeldoorn & Hager, 2010). Benchmarking is seen to

marketize policy-making by turning democratic politics into a competitive process of quantified policy comparison and a race to climb rankings (Bruno, 2009).

While critical literature has often played down the significance of the governance paradigm, we often overlook the fact that the managerial techniques that have defined it are not so easy to square with the ideas of the ‘neoliberal thought collective’ (Mirowski & Plehwe, 2009). Neo/ordoliberals had specific interpretations of the appropriate role of political institutions that explicitly spoke against techniques of planning that are the hallmark of the governance paradigm. Long-serving ECB economist and self-avowed ordoliberal, Otmar Issing, for example, argued that ‘there are no convincing arguments in favour of attempts to coordinate macroeconomic policies ex-ante’ in the ways the EU’s complex policy-making system has attempted since the 1990s (Issing, 2002, p. 245). For ordoliberals like Issing, political institutions must act according to fixed rules and principles of market competition, not shaky projected expectations of policy performance that techniques like scoreboarding or benchmarking rely on. Similarly, in the late 1980s, former Bundesbank President Karl Otto Pöhl blasted the use of quantitative indicators to guide monetary policy cooperation at the International Monetary Fund (IMF) as ‘robotization’. He argued that it would ‘never occur to anybody to depersonalize decisions in the field of foreign policy and to pre-program them by means of objective indicators’ (Pöhl, 1987, p. 20).

The complaint of Issing and Pöhl reflects a neo/ordoliberal contempt for planning. The foundation of a neoliberal perspective on rule is a Hayekian belief in the fallibility of governmental knowledge, grounded in the socialist calculation debates of the 1930s (von Hayek, 1945). In contrast, a key feature of the governance paradigm has been the proliferation of policy instruments that precisely rely on the gathering and processing of data by government in ways that fundamentally contradict this Hayekian principle. Rather than the data driven responses to the COVID-19 pandemic, neoliberals put their policy faith in the information processing power of the decentralized market (Mirowski & Nik-Khah, 2017), or the principled expertise of the ordoliberal economist and lawyer (Hien & Joerges, 2017).

Despite the governance paradigm not fitting with a neoliberal vision of rule, we have nevertheless understood governance through the lineage of neoliberalism. This has specific consequences for how we understand the rise of supranational authority, as a key feature of the governance paradigm. By theorising the internationalisation of political authority since the 1990s in terms of the neoliberal constraints put on national governments through EU public

expenditure or WTO state aid rules, we have overlooked what has been constructed at a supranational level through the managerial transformation of public policy.

Revisiting Governance Through Budgeting

This thesis revisits the governance paradigm as a way to theorise the growth of supranational authority in the EU through managerial policy instruments. Governance as a concept is often invoked as a banal description of social organisation or an ideological referent for the corporatization of policy-making. Here, I argue that governance was a historically specific project of public management. This means to say that I understand governance as a set of policy-making practices and a rationalised set of normative commitments connected to the social forces of public management.⁴

To unpack this historicist perspective on the governance paradigm, I propose theoretically framing it around the history of public budgeting. At first, this might seem unusual. As mentioned earlier, a remarkable feature of the governance paradigm is that it captured a form of policy-making that was less reliant on public resource allocation. Governance is a concept that more readily refers to private finance rather than public finance. The Private Finance Initiatives (PFI), for example, built schools and hospitals funded by private investors rather than public borrowing. Taxpayers were ultimately liable for new capital projects – and at great expense. But the vehicle for delivering new public infrastructure was not the public balance sheet. It was global finance. Meanwhile, utterances of governance within this process referred to the organisational form of policy delivery, rather than the financial means. Governance referred to public-private networks of inter-organisational policy delivery; not expenditure lines, revenue streams, or budgetary appropriations.

But I argue that this conception of policy-making working outside of public finance was a huge shift that built on a specific innovation in budgeting in the mid-twentieth century. The rise of ‘budgetary planning’ in OECD countries since the 1960s reimagined public budgeting from a technique of resource allocation or expenditure control, to a technique of strategic

⁴ The ubiquity of governance as a generic signifier for administering social affairs makes it tricky to write about as an object itself. It is all too easy to slip into using governance in this general way, muddying the waters of the thesis’ purpose to argue that the governance paradigm was a concrete historical project of 1990s public management. In general in the thesis, the use of ‘governance’ as a signifier refers either directly to this project or to contemporaneous conceptual reflections on historic changes to public administration in the 1990s. As a result, there has been an exhaustive use of the thesaurus to find alternative signifiers for the generic administration of social affairs.

decision-making (Schick, 1966). This meant that budgeting did not just set limits on expenditure, allocate resources, or register the efficiency of government spending. Instead, budgeting was reimagined as a process to choose between alternatives in pursuing defined policy objectives. By rethinking budgeting as a decision tool, rather than just a financial tool, a form of budgeting was created that was less directly reliant on the appropriation system budgeting was traditionally attached to.⁵ In this way, budgetary planning set in motion a managerial form of policy-making that came to characterise the governance paradigm.

We often miss the significance of the fact that the governance paradigm captures a form of policy-making that manages without a budget because we tend to take budgeting for granted.⁶ There are good reasons for this. Budgets are mundane, detail-oriented, and overly procedural. Moreover, given the governance paradigm is defined by constrained financial resources, digging into the technicalities of budgeting as a practice seems redundant. Where budgeting does figure in political economy, it is as a Keynesian hangover. It is concerned with macro-fiscal interventions, the size of deficits and debt, or the effects of public expenditure and debt on economic growth. This is visibly the case in Europe. Fiscal coordination is seen as a push and pull between Northern and Southern Europe over the size and spend of national budgets, fiscal rules vs discretion (Brunnermeier et al., 2016), austerity vs stimulus (Blyth, 2013).

This macro perspective on budgeting means we miss its significance as a micro-technique of public policy that has been historically fundamental to statecraft. A budget is more than a register of expenditure. As Wildavsky describes, ‘budgeting is concerned with the translation of financial resources into human purpose’ (Wildavsky, 1974). Budgets determine who gets what and set what is to be done. To this extent, budgets also hold palpable ideological power in shaping politics. Budgets are a paranoia of the possible. Costing and affordability are the benchmark of possibility in public policy. No issue has prohibited radical policy change in recent years than anxieties over budgetary deficits and ticking debt clocks.

Not only are budgets of crucial practical importance in the execution of policy, public finance touches closely on core political issues of democracy and sovereignty. They are a register of action and resource use, against which democratic accountability is held. The ability to set a budget is a key marker of democratic self-determination. A European Commission official

⁵ An appropriation is a budgetary act of allocating finance for specific tasks

⁶ An exception to this is the work of Sarah Quinn (Quinn, 2017). Whereas Quinn explores the relationship between financial innovations and public finance in the US, this thesis explores the relationship between public finance and innovations of public management in the EU

described to Charlotte Rommerskirchen that ‘the budget is one of the ultimate expressions of sovereignty’ (Rommerskirchen, 2019, p. 12). The affront of Eurozone bailouts, breaching the fiscal sovereignty of bankrupt nations, revealed the bonds that are felt to exist between (national) democracy and the control of public finances. Budgets delineate communities in terms of external sovereignty and internal inequality, captured in the claim to the sanctity of ‘taxpayer money’. The link felt between democracy and public finance has meant the controversy of EU fiscal union is predominantly framed not around its potential macroeconomic utility, but tensions in the relationship between blood, budgets, and democracy.

Budgeting matters. But in a world of global governance and austerity, where power is decentred and public finance constrained, we rarely appreciate how. Given the significance of budgeting to public policy, the rise of the governance paradigm is a remarkable transformation. In part, this transformation has seen IOs build a form policy-making capacity without relying on significant financial resources but, instead, using techniques of managerial planning. To unlock this theoretically, we must revisit the history of budgetary planning.

Rethinking Governance as Planning

State planning in the mid-twentieth century revolutionised the role of budgeting in public policy through the introduction of budgetary planning. Most notably, the trial of the Planning and Programming Budgeting System (PPBS) in OECD countries in the 1960s was a major shift in budgeting associated with modern techniques like programme budgeting, performance management, or cost-benefit analysis (CBA). The distinction of budgetary planning was to use the appropriations cycle not only to allocate resources but to strategically decide what were the purposes of public policy. PPBS attempted to turn the budget from line item lists of expenditure (e.g. how many pencils or computers were purchased) into detailed policy ‘programmes’ that linked financial costs to the achievement of quantified policy objectives (e.g. the financial requirements to treat a health condition or maintain nuclear defence).

PPBS itself failed. It was discarded as a project for budgetary reform around a decade after it was introduced. Nevertheless, the significance of budgetary planning was to transform the nature of public policy with the broader rise of ‘managerial governance’ (Amadae, 2003; Christian et al., 2018; Erickson, 2015; Erickson et al., 2013; Knafo et al., 2018; Mirowski, 2008; Rindzevičiūtė, 2016). The governance turn was one specific historical legacy of budgetary

planning. As chapter two will elaborate, the governance paradigm reflected a particular innovation of budgetary planning that detached strategic planning from budgetary appropriations. Detaching appropriations from planning was the work of a new class of public managers (Knafo, 2020). It was this public managerial class, carrying techniques of systems/policy analysis beyond appropriations, that I argue has driven the managerial transformation of the governance paradigm.

Governance as planning without financial resources found special favour with IOs. IOs enthusiastically took up governance as an explicit reform agenda, thrusting managerial techniques like benchmarking into the core of their activities. Governance as a form of planning that operated without financial resources was well suited to deal with the constraints IOs faced. By drawing authority and autonomy not from the allocation and distribution of funds they did not have, but from strategising, analysing policy performance, or acting in partnership with other policy actors, IOs have been enthusiastic advocates of the governance turn. I argue that the rise of supranational authority in the governance paradigm is built from the social forces and format of public management. By reformatting policy-making in the spirit of budgetary planning and mobilising the social power of a public managerial class, IOs could construct a stake in a globalising policy-making system.

Reformatting means here a process by which the technical instruments, modes of thinking, or internal organisation of public institutions are shifted. This does not refer to a paradigmatic shift from one model to another. Instead, reformatting works as subtler layered process of bricolage through the adoption of specific techniques on top of, or alongside, existing policy-making processes. The effects of reformatting as it is deployed in this thesis is to opens questions over the allocation and distribution of public authority – i.e. questions of who has what kind of a ‘stake’ in policy-making. The managerial reformatting of policy-making discussed in the thesis has had the effect of privileging policy actors with information processing responsibilities by making tasks like strategizing and evaluating central to the purpose of governance. The thesis will therefore bring new perspective to the rise of IOs as ‘cognitive authorities’ by placing the governance turn that drove the rise of supranational authority in the historical lineage of public management and budgetary planning (Broome & Seabrooke, 2012).

In making this argument in relation to the EU, there are three main aspects. The first aspect is how the format of policy-making in the EU has been transformed from fixed rules of neo/ordoliberalism to information processing and strategising of public managerialism. The

terms of EU coordination at critical junctures has typically been the writing of rules, said to be inspired by neo/ordoliberalism. This was first seen with the SGP in the 1990s and later with the New Economic Governance (NEG) amidst the Eurocrisis in the 2010s. In comparison to these rules, techniques of benchmarking and performance management are often seen as a weaker approximation. As the thesis will show, however, the inflexibility and impracticality of rules has consistently meant they have been disputed, watered down, manipulated, or even suspended. Despite the neo/ordoliberal design of the EU, it has proven politically impossible to wield the legalised sanctioning powers of the EU as an ‘economic constitution’. Instead, policy-making in the EU has consistently relied on the managerial techniques that led to proclamations of a governance turn in the 1990s. This managerial approach to policy-making is radically different from neo/ordoliberalism's approach. Neo/ordoliberalism emphasizes the role of political institutions in bringing a stable order for market processes to unfold. In contrast, public management emphasizes organizing the policy-making process to empower decision-makers as information-driven strategizers. Whereas neoliberalism builds on a thought collective of Friedrich von Hayek or Walter Eucken, public management builds on the cybernetic systems thinking of Herbert Simon, Stafford Beer, or Karl Deutsch.

The second aspect is the rise of public managers as a set of social forces within the EU. Depending on theoretical inclination, power in the EU is understood in either geopolitical inter-state terms of Europe's Great Powers (Dyson & Featherstone, 1999; Warlouzet, 2018), inter-institutional terms between supranational institutions and intergovernmental institutions (Moravcsik, 1993; Sandholtz & Sweet, 1998), or macro capitalist class power within globalising capitalism (Bieler & Morton, 2001; Cafruny & Ryner, 2003). Here, the thesis addresses the institutionalised social power of a public management class in constructing supranational policy-making authority.

The emergence of ‘managerial governance’ spawned a new class of public managers (Knafo, 2020; Knafo et al., 2018). Public managers are trained in the business studies and public policy of Herbert Simon's decision-sciences or James March and Johan Olsen's game-theoretic organisational sociology. They worked in new ‘think tanks’ like RAND, the Urban Institute, the International Institute for Applied Systems Analysis (IIASA), or one of the many other research institutes that have exploded in recent decades. They were defined by the application of an economic perspective to social life, wielding techniques like cost-benefit analysis and policy/systems analysis. Public managers have increasingly infiltrated political institutions

through the experiments of PPBS in the 1960s, the turn to New Public Management (NPM) in the 1980s, and in the 1990s/2000s as the governance paradigm

Managerialism in the thesis refers to a contemporary situation where practices and modes of thinking connected to the social forces of public management have deeply shaped the ways in which public institutions function. The thesis therefore opts for a definition of managerialism that centres public management as a set of social forces tied to histories of state planning, as distinct from a conception of managerialism that equates it with a distinguishable ‘private sector’ intruding into the domain of the ‘public sector’. The reason for this is twofold. First, it is to acknowledge that managerial governance has deeply affected the corporate world (Beck and Germann, 2018), but to delineate public management as a distinct set of social forces connected to histories of planning that will be addressed in this thesis. Second, by framing managerialism not in terms of the outside incursion of corporate actors into policy-making, I want to draw attention to the new ways in which policy-making itself is turned into a space of capital accumulation. This means how, in the new managerialism, processes like strategizing, evaluating, benchmarking, or implementation are turned into money-making ventures (in addition to the public social purpose to which they are directed) circled by public managerial actors in consultancies, outsourcing conglomerates, or accountancy firms. While this is not a development dealt with substantially in the thesis, it is an orientation to bear in mind.

A European public management community arose following the translation of PPBS into the bureaucracies of Europe in the 1960s/1970s. Public management institutionalised itself in Europe through universities reorienting towards a ‘policy perspective’ and the explosion of think tanks, research institutes, and policy consultancies. Four individuals that I use in the thesis to represent this new European public management class are Fritz W. Scharpf, Giandomenico Majone, Michel Crozier, and Les Metcalfe. These academic-practitioners of public management turned their attention in the 1980s/1990s from national problems of planning to European integration. More broadly, a public managerial class in the EU operationalised the Single Market from a neoliberal fantasy of slashed red tape and falling trade barriers to an internal site of capital accumulation made up of quangos and agencies coordinating product and market regulations. They turned the SGPS’s political proclamations on nominal deficit and debt limits into a vastly complicated system driven by elusive calculations of structural deficits and fiscal ‘sustainability’. They populated the endless committees tasked with designing social indicators that would fill the scoreboards on social and economic policy in various OMsC.

The third aspect is how democracy has been reconceived in managerial terms in the EU. Few issues provoke greater concern in the EU than its ‘democratic deficit’. As the EU gained more legal authority to govern Europe, and supranational institutions increasingly touched everyday life, the legitimacy of European institutions has been continuously questioned. There has been a multitude of ways in which the so-called democratic deficit has been conceived, accounted, or apologized for (Eriksen & Fossum, 2002; Follesdal & Hix, 2006; Moravcsik, 2002). For critical political economy, democracy in the EU has largely been conceived in terms of depoliticisation (Burnham, 2000; Gill, 1998). This has meant the removal of budgetary and monetary issues from popular decision-making and into the hands of technocratic experts.

The thesis will highlight how public management put a distinctively problematic spin on EU attempts to legitimate themselves. While seeking to insulate supranational institutions from popular majoritarian pressure, a public management perspective was not technocratic. Chapters four and six will show how public managers were critical of the arrogant claims to specialist knowledge expertise implied. Instead, public managers saw the EU’s claim to legitimacy as coming down to a criterion of effectiveness accountability. What this meant was that the EU’s legitimacy should be claimed through horizontal lines of intra-executive accountability around benchmarks of effectiveness. Democracy in this image was reconfigured in the idiom of key performance indicators (KPIs) and, when they were not met, intra-executive accountability. Excluded in this managerial vision of democracy, therefore, was people – but not in the ways of technocracy.

Research Methods and Data Sources

This thesis takes up the lineage of ‘managerial governance’ as a methodological starting point to make sense of the building of supranational authority in the EU since the 1990s (Knafo et al., 2018). This thesis is therefore a historical study of the ‘governance turn’ to European integration. I use the history of budgetary planning (as a particular aspect of managerial governance) to theoretically rethink the significance of the governance paradigm in the EU. In doing so, I build on the diverse methodological tradition of critical political economy (Montgomerie, 2017). In particular, I pursue an historicist approach (Knafo, 2010, 2017). An historicist approach as deployed in this thesis has two components. First, it is a philosophical orientation to drawing theoretical insights from historical analysis. It is distinguished from

directly conducting the work of a historian by not necessarily (though not excluding the possibility) building an analysis directly from primary historical materials. Instead, an historicist approach draws theoretical abstractions through historiographical research. To do so, a historicist approach relies on a particular set of methodological commitments that centres a task of identifying the concrete agency of social agents. This means that rather than taking structure (broadly conceived) as in any way determinative of social change, a historicist approach takes as a methodological precondition the need to identify moments of innovation that transforms social institutions. Institutions here refers to not just norms or discourse patterning behaviour, but infrastructural questions of power (Könings, 2007). Infrastructural power refers to the ability of state institutions to affect deep and lasting policy change across the social space they administer (Mann, 1984). Connected to this, infrastructural capacity refers to the technical means, the policy practices or instruments, through which state institutions affect this change. The thesis is particularly concerned with the infrastructural capacities of the supranational institutions of the EU, uniquely relevant because these institutions are typically seen to lack the traditional infrastructural tools of nation states – namely sufficient financial resources and a coercive legal apparatus.

My method has three steps. First, I historicise the governance paradigm by putting it in its political economic context. This means to unravel the problems facing European policy-makers in the 1990s that the governance turn responded to. By specifying the historical context before the governance turn, this step puts in perspective what is new about the governance paradigm and, therefore, what requires explanation. I highlight a dilemma of supranational authority as the problem facing policy-makers that manifest in a unique way under the condition of European integration in the 1990s. Second, I pinpoint the innovations of the social forces of public management responding to the problems facing European policy-makers in a way that drove the conceptual rise of a ‘governance turn’. This involves analysing the distinctive perspective of an academic-practitioner public management community on the issue of European integration in the 1990s/2000s and tracking the agency of this class within an explicit ‘EU governance’ reform project. This step locates the agency of public management by highlighting the necessary work of translation in moving public management practices from national planning to the new historical context of EU governance in the 1990s/2000s. Third, I analyse the (unintended) consequences of the managerial reformatting of EU policy-making. This means addressing the legacies and new problems that were created by the reformatting of

European integration as a managerial process. This step therefore treats the contemporary political economy of the EU not as the deliberate outcome of a public managerial overhaul of EU governance. Instead, I understand it in terms of the unintended outcomes of the managerial reformatting of EU governance that attempted to solve problems unique to the historical moment of the 1990s

To take these three steps, I used multiple sources of data that triangulated between different levels of analysis studying the EU and European political economy. The levels of analysis I captured in my research were 1) a broad political economic history of post-second world war Europe; 2) the intergovernmental and inter-institutional politics of the EU (in particular in relation to fiscal, macroeconomic, and social policy coordination since the 1992 Maastricht Treaty); 3) the evolution of the European Commission as an organisation, and its forerunner the High Authority, since its creation by the 1951 Treaty of Paris (with a particular focus on the Kinnock management reforms of 2000-2004); and 4) debates and developments of public management as an academic-practitioner community.

To access these levels of analysis, I analysed the following data sources. First, I used secondary literature on European history and political economy (level of analysis 1). Second, I analysed internal and external policy documents of the European Union, including White Papers, Staff Working Papers, communications, conclusions, regulations, directives, and internal correspondence (levels of analysis 2 and 3).⁷ Third, I used archival material from two sources: the Kinnock Papers at the Churchill Archives Centre in Cambridge and the Historical Archives of the European Union in Florence. This archival material provided added depth to an analysis of publicly available and official documents on the internal politics of the European Commission at a pivotal moment when it underwent major management reforms in the 2000s (level of analysis 3). Fourth, I conducted 17 interviews in Brussels, Maastricht, Frankfurt, and London between October and December 2017.⁸ The interviews were held with a range of national officials working in Permanent Representations to the EU; European officials working in the EU's institutions; and public management experts focused on EU affairs. The interviews provided crucial background material that guided the gathering of further empirical data and

⁷ This included using material publicly available from the Official Journal of the European Union. In addition, I analysed documents received through two 'access to documents' requests to the European Commission respectively in June 2017 and July 2017. First, I received documents related to the internal inter-governmental deliberations in the European Council President Herman van Rompuy's Task Force on Economic Governance (TFEG) that negotiated the reforms of the Six-Pack and Two-Pack in 2010. This included correspondence and draft reports. Second, I received documents related to the Commission's internal think tank the 'Forward Studies Unit' (FSU; now European Political Strategy Centre – EPSC) in relation to their 'Governance Project' (1996-2000). Documents included seminar proceedings and programmes of work.

⁸ See Annex 1 for the list of interviews

shaped the analysis in relation to the post-crisis reforms of economic governance and the evolution of a managerial function in the EU's institutions (levels of analysis 2 and 3). Fifth, I surveyed major international news publications (e.g. the Financial Times) to contextualise my close reading of internal and public policy documents within broader public debates since Maastricht (levels of analysis 2 and 3). Sixth, I analysed the published work of public management and policy analysis (level of analysis 4). In relation to the EU, three individuals were important here: Les Metcalfe, Giandomenico Majone, and Fritz Scharpf. The work of these academic-practitioner public managers was used as a primary source on public management perspectives on EU governance.

Synopsis

The thesis has six chapters. The first chapter reviews how four approaches understand the EU governance turn in the 1990s/2000s. These approaches are institutionalist political economy, critical political economy, accounts of ordoliberalism in Europe, and governmentality studies. I argue that these accounts have, in different ways, registered the governance turn to policy-making but have underplayed its significance. Critical accounts of European integration are dominated by the story of a market-led project of neoliberalism. The significance of neoliberalism for critical literature has been how European integration has undermined the progressive uses of public finance. The governance paradigm has been inserted into these accounts in terms of how new managerial techniques recreate the policy world and governed subjects in the image of a neoliberal market utopia. In contrast, I argue in chapter one that the governance paradigm needs to be given significance outside of neoliberalism. Rather than marketizing policy-making by disempowering public finance, I argue that observations of a shift from government to governance reflected the building of supranational authority through an alternative conception of public budgeting.

Building on this critique, chapter two revisits the conceptual rise of governance through the history of state budgeting. I argue that budgeting's history offers an important perspective on the transformation to public policy that scholars described as a transition from government to governance in the 1990s. I show how budgeting was transformed in the mid-twentieth century through the use of new planning techniques like PPBS. Budgetary planning was an attempt to transform the appropriation cycle from a system of resource distribution and

expenditure control into one of rationally deciding the purposes of public policy. I show that while budgetary planning struggled to remake the appropriations cycle, it had a transformative impact on public policy. I argue that it was from the legacy of budgetary planning that we should read the governance turn. This legacy was the reformatting of policy-making in a managerial template in terms of a strategic orientation to decision-making and the proliferation of quantitative performance monitoring techniques. Whereas budgetary planning applied this managerial approach within the appropriations system, the governance paradigm referred to how public management refocused policy-making more broadly on strategising and left policy delivery to organisations external to the infrastructure of the state in the form of ‘partnerships’ and ‘networks’. Finally, I show in this chapter how, while the governance turn had national origins, the managerial reformatting of public policy had significant appeal for IOs to deal with a dilemma they faced of limited financial resources and weak enforcement tools.

Chapters three to six elaborates this point by historicising how EU governance arose as a response to the dilemma of supranational authority since the 1990s. Chapter three establishes the challenge of supranational authority in the history of European integration to provide the historical grounding from which governance would arise as a reform agenda. I show how the neoliberal drive of integration, first in the Single Market and later in the EMU, rejected the financial empowerment of supranational authorities and instead attempted to use supranational legal authority to build market rule. I show how this neoliberal design of the EU fell apart in the 2000s as national governments refused to be subjected to the legal sanctioning power of supranational institutions. The chapter argues that supranational institutions were being asked to govern more than ever in the 1990s/2000s, but were denied the financial resources and legal authority that was required for the task.

Chapter four shows how, facing this dilemma of supranational authority in the 1990s, European institutions turned to the template of public management in the shift that has been labelled as the rise of EU governance. In response to the failure of rules and limits to supranational authority, the European Commission gained an alternative stake in national policy-making by reformatting its work along managerial lines. Supranational authority was constructed not through the wielding of financial resources that governments refused to allow, nor the control of expenditure through rules that governments refused to obey. Instead, the governance turn was an attempt of supranational institutions to empower themselves as centres strategy and information processing. I show this through three sites of reform: benchmarking

competitiveness through the Lisbon Agenda, the 2005 reform of the SGP, and the 2000-2004 Commission management reforms.

I show in this chapter how the managerial pivot to the EU brought with it an alternative answer to the EU's perennially accused democratic deficit. Rather than the EU making legitimacy claims through classic tropes of the technocratic delivery of 'peace and prosperity' through 'ever closer union', nor the replication of representative democratic models from the nation-state, the managerial reformatting of the EU grounded its legitimacy claims in the achievement of quantified KPIs.

Chapter five demonstrates how this experiment in 'governance' ran aground with the onset of the financial crisis at the end of the 2000s. I show how whereas governance promised a more effective and democratic union, the Eurocrisis starkly revealed that new modes of 'governance' had not resolved the dilemma of supranational authority. There were two interpretations of what went wrong. For those seeking an equitable solution to the crisis through deepened integration, the Eurocrisis revealed that the EU needed the fiscal firepower it had been denied in the 1990s and not the targets of the 2000 Lisbon Agenda that by 2010 had been embarrassingly missed. For the advocates of austerity, the EU needed a means to discipline member states felt to have flouted the EMU's budgetary obligations, not voluntary managerial tools that had little purchase on domestic policy change. I show in this chapter how the Eurocrisis led to an overhaul of governance in the EU and the rise of a NEG. A first glance at these reforms looked like rules and sanctions were back and, this time, they mattered. Despite this, I show how in practice the EU's strengthened rules were quickly watered down, qualified, and resisted in their use.

Chapter six demonstrates how, in the shadow of abandoned rules, the managerial orientation of EU policy-making has been consolidated rather than abandoned. I show how, while the rules of the NEG were never used as legal sanctioning instruments, there has been a consolidation of the Commission's managerial function. Provisions within the NEG providing the Commission with sweeping access to performance data from member states, and a new policy-making architecture to leverage this information supply, has empowered the Commission's as a planner.

To conclude, the thesis considers the political implications of a world where IOs have grown their presence in policy-making, and where our political institutions increasingly take a managerial form.

PART I - Making Sense of the Governance Turn

Chapter 1: Governance and Neoliberal European Integration

Introduction

At the end of the last millennium, public policy-making was going through a transformation – of which the relaunch of European integration was a major example. The agreement to form the European Union at Maastricht in 1992 brought with it a new conception of policy-making. The new EU deeply integrated markets and created a monetary union. But the new union was not a state. A marker of distinction was that supranational authorities in the EU had few of the traditional budgetary instruments familiar to national policymakers. Rather than member states exercising fiscal and economic policies jointly, the EU would coordinate national policies through a jumble of performance management instruments like indicators, targets, benchmarks, policy evaluation, peer review, and rankings.

For many observers of this process, the Europeanising policy system that arose over the 1990s heralded a new paradigm of ‘governance’. The centralised and territorialised political authority of national ‘government’ was giving way through European integration to a more diffuse and iterative ‘multi-level governance’ (Hooghe & Marks, 2001). Supranational institutions were becoming key nodes in globalising network-based policy-making (Börzel, 1997; Dehousse, 1997). An ‘experimentalist’ public policy was taking over from traditional bureaucratic hierarchies and procedures (Zeitlin, 2005). Recognising this shift, the European Commission was among the governance concept’s most enthusiastic adopters. The 2001 *White Paper on Governance* mobilised the language of governance to propose a new practice and democratic ethos of public policy that gave supranational institutions an important role (European Commission, 2001).

For critical observers, when governance is invoked as more than a generic category, it is associated with neoliberalism (Brown, 2015, p. 122; Cahill & Konings, 2017, p. 92). Concerning the EU, Laura Horn, Bastiaan van Apeldoorn, and Jan Drahokoupil described the rise of managerial techniques of European governance as the ‘zenith’ of a neoliberal project of market integration (van Apeldoorn et al., 2009, p. 4). From this perspective, rather than the supranational welfare state imagined in earlier years of integration, the rise of ‘European governance’ reflected a form of supranational rule governing at the behest of markets and through market-like policy instruments like benchmarking.

Despite governance having come to be associated with neoliberalism, critical scholars have consistently observed that there was little in the work of neoliberal thinkers that could have predicted the managerial form neoliberalism took under the banner of ‘governance’ in the 1990s. Wendy Brown, for example, identifies that governance ‘was not part of the neoliberal imaginary set out by Milton Friedman or F. A. Hayek’ (Brown, 2015, p. 122). This oversight should be no surprise. The form of policy-making imagined by neoliberals and that practiced in the age of ‘governance’ are in many ways contradictory. Scholars of neoliberalism like Stephen Gill, Claire Cutler, or Quinn Slobodian describe neoliberalism as a project that uses the stability of international law and constitution to constrain the majoritarian democratic impulses of nation-states for expanded public spending and market regulation (Gill & Cutler, 2014; Slobodian, 2018). In contrast, European governance in the 1990s attempted to build supranational public authority using practices of dynamic and flexible information processing that are enough to make Hayek squirm.

Building on this apparent contradiction between the neoliberal project and the managerial policy-making transformation of the 1990s, this chapter will argue that we have been too quick to square governance with neoliberalism. We know that the governance paradigm differs from the agenda neoliberals advance but we nevertheless theorise governance as a neoliberal phenomenon. To unpack this argument, the chapter will review how four literatures account for the ‘governance turn’ in the EU at the turn of the millennium. The four literatures are institutional political economy, neo-Gramscianism, a literature on the ordoliberal lineage, and Foucauldian approaches.

Although these literatures differ considerably in their theoretical and political inclinations, they all rely on three assumptions that this chapter will unpack. In various ways, these assumptions have undermined a substantive theorisation of the governance paradigm in critically understanding policy-making in the EU’s peculiar monetary union. What is missed in particular is the historical significance of the social forces and format of public management in building a supranational governance capacity since the 1990s. The three assumptions are:

First, the rise of governance in the EU has been interpreted through a binary between social and fiscal/economic policy. Both Marxist and institutional political economy frame their analysis through a Polanyian tension between ‘marketizing’ economic and fiscal policy and the possibilities of a ‘market-correcting’ social policy (Dale, 2012). In the EU, marketizing economic policy is considered to take place in the realm of Single Market regulation and the

fiscal rules of the SGP. In a widely adopted framing, Fritz W. Scharpf describes economic policy coordination in the EU as ‘negative integration’ (Scharpf, 1999). This refers to how marketizing economic policy has historically focused on the removal of trade barriers (e.g. through the Single Market) or agreements to limit government action (e.g. through the SGP’s deficit rules). In contrast to marketizing economic policy, social policy in the EU is imagined as taking place in the sphere of welfare coordination or labour market regulation. Social policy in the EU is considered by Scharpf as ‘positive integration’ because it implies the use of collective political authority to build social protection institutions or correct inequitable market outcomes (Scharpf, 1999). Within this binary, scholars have debated to what extent the move to the EMU in the 1990s created an asymmetry between social and fiscal/economic policy in the EU (Crespy & Menz, 2015; Maricut & Puetter, 2018; van Apeldoorn et al., 2009). Scholars typically conclude that the EU privileges a marketizing economic and fiscal policy over redistributive social protection institutions.

Second, building on the above binary, a distinction is made whereby social policy is seen as governed through the managerial techniques of the governance paradigm, whereas fiscal and economic policy is governed through neoliberal hierarchical techniques of law and constitution (Jacobsson, 2004; Trubek & Trubek, 2005; van Apeldoorn & Hager, 2010). The Single Market and the SGP, for example, are both hierarchically enshrined in the EU treaties and the body of Community regulation that has developed around them. In contrast, while social policy coordination has a treaty basis, it is practiced through horizontal and voluntary techniques of coordination like the OMC that came to be associated with the governance turn. It is the relative balance of this binary between hard ‘marketizing’ law vs soft ‘social’ governance that frequently constitutes the asymmetry observed in the first assumption.

Third, budgeting is typically conceived in macroeconomic terms. This means that budgeting is considered relevant in terms of three functions of macroeconomic stabilisation, political redistribution, and expenditure control. Fiscal politics in the EU is read through the clashing pursuit of these three functions (Blyth, 2013; Chang, 2016; Heipertz & Verdun, 2010). For advocates of a supranational Keynesian welfare state, the governance turn in the 1990s reflected how new policy techniques like benchmarking inadequately plugged the gaps of missing fiscal instruments that could perform a stabilisation or redistributive role in the EMU. For the neoliberal architects of the EMU and advocates of austerity, the EU’s expenditure

control function needs strengthening through supranational and national instruments of discipline and control.

I argue that these assumptions, while not incorrect, have directed analysis in such a way that the significance of governance in remaking policy-making in the EU has not been fully reckoned with. There are two ways in which this has been the case.

First, the asymmetry between an ameliorative social policy governed by voluntary performance management, and a marketizing economic policy governed through obligatory law and regulation, has meant the managerial policy techniques of the governance paradigm have been analytically implicated with the politically subordinate role of the progressive use of public finance in the EU. Managerial policy techniques are in this sense treated as evidence of a lack in the EU rather than something distinctive in their own right. The EU certainly places limits on public expenditure. But this framing is problematic because it overlooks the significance of the governance paradigm as introducing a new and distinctive form of rule. I will show how, rather than being on the margins of EU policy-making, the managerialisation of policy-making was a historically specific innovation responding to a felt dilemma that law was an inadequate instrument to govern an international polity the size and complexity of the EU.

Second, the consequence of overlooking the foundational role of managerial policy techniques in the EU has meant the politics of the governance paradigm have been misconceived. By analytically subordinating the significance of managerial policy-making, the politics of governance has often been read in terms of the symbolic or discursive role numbers play in entrenching market rule. Instead, I argue that the politics of governance is more related to the institutionalisation of public managerial power in the EU. This refers to both the enthronement of managerial techniques to govern the EU and the embedding of a managerial class within the EU's institutions. Chapters four and six will make this point through the history of management reform in the European Commission and the evolution of the EU's governance system since the Eurocrisis.

The rest of this chapter will explore the four literatures in terms of how they have understood the emergence of the governance paradigm since the 1990s. Each literature will be considered in relation to how it builds on the three assumptions discussed above.

1.1 EU Governance as Asymmetric Integration

The 1992 Maastricht Treaty that established the EMU was built on a double asymmetry. First is an asymmetry between monetary and economic policy, Monetary policy was governed collectively through the supranational ECB. Meanwhile, fiscal, economic, and social policy was left to national governments. Despite previous proposals in the 1970 Werner Report and the 1977 McDougall Report for collective budgetary and macroeconomic policy-making for Europe, Amy Verdun noted how ‘by the late 1980s economic governance was to be attained without major centralization and transfer of powers to a supranational body’ (Verdun, 2013, p. 33). This meant that the Maastricht settlement did not include provision for performing budgetary functions of macroeconomic stabilization or political redistribution that one would expect in a monetary union. Rather than exercising fiscal/economic/social policy jointly, a new system developed over the course of the 1990s whereby national governments coordinated their policies through guidelines, benchmarks, peer pressure, and rules.

Second is an asymmetry within this coordination system. Economic policy is often seen as in the realm of ‘negative integration’ in terms of how trade barriers between states are lowered or institutions reregulate in the interests of marketization. Social policy is seen as ‘positive integration’ in terms of how collective policies might tame or ameliorate the excesses of market integration.

This section will review how institutionalist political economy has made sense of this of this peculiar asymmetric system European policy coordination. Institutional political economy refers here to a variety of approaches using an institutionalist analysis to make sense of the EU at the crossroads of comparative political science, international relations, and international political economy (Pollack, 2018). This literature has observed that the rise of managerial policy coordination has been subordinate to the marketizing drive of integration through the Single Market and the EMU. By reifying budgetary functions of macroeconomic stabilisation and redistribution, the governance paradigm is seen as consistently falling short. As a result, while remarking at the novelty of governance, they have generally downplayed the political significance of the governance paradigm.

Market Discipline vs. Social Coordination

Institutional political economists look at the EU’s coordination system and see an asymmetry between economic and social policy. Amy Verdun describes an asymmetry between

how the ‘coordination of “economic governance” (budgetary and fiscal policy) was to be achieved via rules and social matters were considered the responsibility of Member States’ (Verdun, 2013, p. 33). Dermot Hodson likewise describes how whereas budgetary coordination takes places through ‘harder forms of coordination’ like the excessive deficit procedure of the SGP, the ‘open method’ to govern employment and welfare ‘relies on neither legal obligation nor the threat of financial penalties but rather on the ability of member states to build consensus on the goals of policy and on the effectiveness of peer pressure as a sanction mechanism against non-compliance’ (Hodson, 2004, p. 232). John Grahl similarly highlights an asymmetry whereby:

‘social policy is a realm of soft law, of declarations of principle, of ‘policy communities’, of the non-binding social charter and the open method of co-ordination. If the topic changes to economics – to the single market or fiscal deficits – one is in a very different world of hard law and justiciable rights, of detailed supervision, of precise numerical constraints and quasi-automatic sanctions for transgressors’ (Grahl et al., 2015, p. 168).

Scharpf describes this difference as a constitutional asymmetry between ‘policies promoting market efficiencies and policies promoting social protection and equality’ (Scharpf, 2002, p. 645). Institutionalist political economy, then, argues that while the market is governed through compulsion, the progressive use of public authority is entirely voluntary.

Implicit in this narrative of an asymmetry in European coordination is a particular understanding of budgeting. Fiscal policy is held on the economic side of the equation, but what is implied more broadly is a macroeconomic understanding of budgeting. Namely, the asymmetry of integration refers to how fiscal rules hold back the use of budgets for macroeconomic stabilisation, while the absence of ‘positive integration’ means there are few instruments for redistribution in the EU. As Stefan Collignon describes, in a context of deep market integration, the EU’s reliance on coordination rather coercion meant ‘a large new class of collective goods exist that cannot be efficiently provided by voluntary cooperation between autonomous governments’ (Collignon, 2004, p. 923).

The institutionalist political economy literature explains the asymmetry of integration as a product of the challenges of collective action within a diverse EU. Fritz W. Scharpf contrasts how negative economic integration has largely taken place through the judicial activism of the European Court of Justice (ECJ), while efforts to develop social policy depends on collective agreement among the EU’s heterogenous national governments (Scharpf, 2010). This challenge

was earlier labelled by Scharpf as a 'joint decision trap' (Scharpf, 1988, 2006). Similarly, James Caporaso and Joerg Wittenbrinck describe how the relative weakness of an EU social policy has been a consequence of the different decision-rules through which it is decided. They write 'the market has expanded according to a majority-decision logic... but regulating the market through adding a social dimension requires unanimity (Caporaso & Wittenbrinck, 2006, p. 477).

Building on this collective action explanation of the asymmetry of integration, political economy explains how the 'soft' characteristics of a managerial social policy was a consequence of its development within the near-unanimity constraints of EU policy-making. Armin Schäfer offers a typical explanation that the rise of voluntary social policy coordination in the 1990s was a political consequence of a social-democratic attempt to build a European social policy without converging on collectively exercised policies (A. Schäfer, 2004).

An institutionalist political economy approach is useful to understand both the asymmetric design of the EMU, as well as offering an explanation based on the clashing preferences and decision-rules in the EU's heterogenous polity. These explanations, however, arguably mean the institutionalist political economy literature underplays the significance of governance as a paradigm transforming policy-making in the EU. The political economy literature is good at highlighting the institutional dilemma facing national governments in the 1990s. But the turn to a managerial form of governance that uses elaborate techniques of information processing, indicators and benchmarks cannot be so easily read off from this dilemma as an obvious choice. By explaining EU policy coordination as a functional outcome of decision-rules and clashing preferences, the managerial form of rule that arose is given no history or social context in institutionalist accounts. Given the tough consensus requirements the literature highlights, it is surprising that any mechanisms were created at all.

Identifying the institutional constraints of EU decision-rules poses the dilemma faced by governments but is not an explanation of the responses to this dilemma. More is therefore needed to historicise the format coordination took in its managerial remaking. Indeed, while institutionalist political economy has equated techniques information processing with a subordinate social policy, a managerial approach to policy-making is not reducible to this. As part of a broader governance paradigm, managerial policy techniques had a profound impact beyond a constrained social policy in remaking policy-making in the EU. Indeed, Amandine Crespy and Georg Menz highlight a divide in the EU literature that while political economists have dismissed the significance of the governance turn, a field of policy analysis has enthused

over the extensive managerial transformation of the EU (Crespy & Menz, 2015, p. 183). Capturing this policy analysis perspective, Jonathan Zeitlin highlights the rise of ‘experimentalist governance’ in the EU and beyond (Zeitlin, 2015), building on work like Rainer Eising and Beate Kohler-Koch on governance in the 1990s (Eising & Kohler-Koch, 1999).

The Hardening of Soft Social Governance

The diminishing of the governance paradigm’s significance by institutionalist political economy can be further seen in how the field has interpreted the 2010/2011 reforms of EU economic governance. Since the crisis, institutional political economy has observed how hard economic and soft social policy governance have been fused. Sonja Bekker, for example, observed how the EU governance had ‘introduced characteristics of hard law into soft law coordination cycles of employment and social policies’ (Bekker, 2013, p. 2). Likewise, Crespy and Menz observe that ‘the Commission has sought to increasingly tie together the monitoring of social policy indicators to economic objectives, thus including social policy issues in its recommendations to the member states’ (Crespy & Menz, 2015, p. 10).

In many ways, political economy should have regarded this development as positive. The criticism of the asymmetry of integration was that whereas economic policy was governed through law and rules, market-protecting measures relied on voluntary coordination and benchmarking. Thus, the use of coercive policy instruments in the sphere of social policy could at first sight be regarded as a positive development. Indeed, for their part, policy studies has welcomed the shift. Jonathan Zeitlin and Bart Vanhercke prominently pointed to a ‘socialization of the European Semester’ in terms of the inclusion of social objectives, targets, and actors in the mainstream EU policy coordination (Zeitlin & Vanhercke, 2018).

Institutionalist political economy has, however, not welcomed the fusion of social and economic governance in the EU. Instead, political economy has considered the fusion to have reproduced the asymmetry between economic and social goals. Paul Copeland and Mary Daly argue that social policy has moved from an ‘add on’ to ‘dependence-upon’ economic objectives, principally of budgetary austerity and the ‘dominance of market-led integration’ (Paul Copeland & Daly, 2015, p. 140). In this regard, Copeland and Daly have seen the mainstreaming of social policy in EU governance as ‘dominated by measures and recommendations that support market functioning’, rather than social protection (Paul Copeland & Daly, 2018, p. 1014). Likewise, Sonja Bekker observes how there has been an ‘economic reading of social policy goals. Pension

schemes and labour costs are for instance issues of interest in discussing budgetary and economic problems at EU level' (Bekker, 2013, p. 16). Similarly, Jamie Jordan, Vincenzo Maccarrone, and Roland Erne describe how despite social policy increasingly being governed according to 'vertical integration', it continues to disappoint as a way to achieve a Social Europe (Jordan et al., 2020).

Institutional political economy since the 1990s regarded social policy's reliance on techniques of voluntary performance management as a testament to its marginalisation. But puzzlingly, the introduction of more coercive forms of regulation continues to disappoint this literature. It would seem, then, that the problem of asymmetry was never the level of compulsion built into governance mechanisms. It was instead related to the ends fiscal policy should serve. In particular, the literature builds on a particular conception of budgeting that takes as the benchmark of effective governance the performance of financial redistribution and stabilisation functions. Even as social policy becomes more coercive, the fact that it is not oriented to these ends is the source of disappointment for institutional political economy.

The trouble with these perspectives is that the broader managerial transformation of EU policy coordination is misread. The EU's double asymmetry is built on the prioritisation of a budgetary function of expenditure control and the neglect of stabilisation and redistribution functions. This is the complaint of institutional political economy. But by conflating managerialism in the EU with the diminishing of these two budgetary functions, we miss more broadly how managerial policy-making has built on an alternative form of budgeting as planning. As a result, institutional political economy misreads the governance paradigm as a lack of a particular set of budgetary functions, rather than developing conceptualisations of what is historically constructed through the development of managerial planning in the EU. The next chapter will develop such an approach, historicising the rise of supranational managerial governance through the history of state planning.

1.2 Gramsci and Governance

In contrast to the institutionalist literature that makes up the bulk of discussions over the EU, a literature arose at the turn of the millennium offering a historical materialist approach to European integration (Bieler & Morton, 2001; Cafruny & Ryner, 2003; van Apeldoorn, 2003).

This critical political economy of European integration argued that the turn to market-led integration could not easily be explained by inter-state preferences or supranational entrepreneurship, as liberal political economy and traditional integration theory had done. Instead, these predominantly neo-Gramscian approaches argued that European integration had to be understood in terms of the balance of class power in the global political economy of late capitalism. From this perspective, market-led integration reflected a historically specific balance of class power centred on a ‘transnational capitalist class’ (van Apeldoorn, 2000), in the global context of US financial hegemony (Cafruny & Ryner, 2007).

The power of the neo-Gramscian intervention is to focus on the social purpose and content of integration to explain the institutional form the EU has taken. Critical political economy argued that European integration theory had a power problem. Bastiaan van Apeldoorn criticized that ‘conventional integration theories tend to focus largely on the institutional form of the integration process, thus ignoring the question of its socio-economic content, or the “social purpose” underlying European order’ (van Apeldoorn, 2000, p. 158). The call of the neo-Gramscian approach to integration was thus to ‘move beyond a merely formal analysis of levels of governance, and in particular beyond the institutionalist focus on the form of the integration process of established integration theories, to identify the socioeconomic *content* of the integration process’ (van Apeldoorn et al., 2003, p. 20). While recognizing that ‘form and content are of course interrelated’ (van Apeldoorn, 2001, p. 71), it was always explicitly ‘social content’ that took analytical precedence in explaining the forms integration took. By focusing on ‘social content’, in terms of the balance of societal class power, critical political economy added analytical depth to the institutional changes and trajectory of integration that traditional integration theory often took for granted (Ryner, 2012).

This section will argue that the neo-Gramscian privileging of a macro understanding of ‘content’ has meant that the institutional form of the governance paradigm has gone largely untheorized. By beginning with a Gramscian concept of hegemony, critical political economy analyses the governance paradigm in relation to a broad reading of the societal balance of class forces. The effect is that neo-Gramscians interpret the institutional forms integration has taken only as vectors for broader societal developments. What neo-Gramscians obscure through this is a more contextual analysis that derives conceptions of social power more instrumentally from particular institutional forms in terms of the agents particular policy techniques empower and the purpose techniques are deployed.

What I am suggesting through this critique is not to return to the descriptive and legalistic inter-institutional terms of the liberal theories neo-Gramscians criticise. Instead, I am proposing that a more contextual reading of the institutional forms of integration can reveal with greater clarity the forms of social power that are created through specific institutions. This proposed approach is not incompatible with a neo-Gramscian analysis. But I am proposing to lower the level of abstraction of historical materialist analysis from societal hegemony to institutionalised social power. In particular, as I will show in chapter two, this means to read the governance paradigm not in relation to macro-societal class struggle, but as the supranational institutionalisation of the class power of public management. The rest of this section will elaborate this critique of the neo-Gramscian approach to European integration and how it has interpreted the rise of the governance paradigm.

The Competing Hegemonic Projects of Integration

The historical materialist exploration of European integration's 'social content' built on a neo-Gramscian 'Amsterdam School' (Jessop & Overbeek, 2018). This school consisted of scholars like Otto Holman (Holman, 1992, 2004), Henk Overbeek (Overbeek, 2005), Bastiaan van Apeldoorn (van Apeldoorn, 2003), and Kees van der Pijl (van der Pijl, 1998). This school developed a neo-Marxist approach that explored intra-capitalist competition between different 'fractions' of capital. These fractions competed across the terrain of the state to turn their particular interests into a hegemonic 'comprehensive concept of control' governing society (Overbeek, 2004).

In relation to the EU, it has been a frequent observation that the 'neoliberal' turn since the 1980s can be explained by the rise of a 'transnational capitalist class' (Robinson & Harris, 2000). Most prominently making this case, van Apeldoorn studied the clashing hegemonic projects within the corporate planning body the European Roundtable of Industrialists (ERT) to develop what has become a definitional framing of the neoliberal turn to European integration (van Apeldoorn, 2000). For van Apeldoorn, the neoliberal Single Market agenda premised on external tariff reduction and internal marketization was an historical outcome. A neoliberal project, built from a transnational class fraction integrated into global capital, was successful compared to two rival hegemonic projects for either an inwardly-oriented mercantilist project of productive capital or a social democratic project for a federalized European welfare state. This neoliberal project successfully won out both within the ERT and across supranational and

national state institutions to set the terms of the 1980s relaunch of integration along neoliberal lines. This understanding of a globalizing, marketizing and financialising form of neoliberal integration was seen to similarly manifest in the realm of corporate governance (Buch-Hansen & Wigger, 2011; van Apeldoorn & Horn, 2007) and labour relations (Bieler, 2005). While not disputing this neoliberal trajectory of integration, Alan Cafruny and Magnus Ryner pointed to the enduring importance of inter-state capitalist rivalries in explaining the uneven development of European integration - notably the importance of reluctant German dominance and the structural power of Wall Street financial capital (Cafruny & Ryner, 2007; Ryner & Cafruny, 2017).

While van Apeldoorn's analysis focused on the rise of the Single Market, the turn to a form of EMU built on fiscal disempowerment was seen in this neo-Gramscian literature as not reducible to the neoliberal agenda of a transnationalising capital fraction. For van Apeldoorn, divisions within the ERT meant their 'direct involvement in the Maastricht process was limited' (van Apeldoorn, 2003, p. 154). Instead, Maastricht was seen as a compromise between the three competing projects (van Apeldoorn, 2001, p. 81). While the institutional form of the EMU was not necessarily neoliberal in its origins in the terms van Apeldoorn defines it, critical political economy was quick to highlight that the institutional form the EMU took nevertheless reflected the structural power of transnational capitalism. The singular monetary objective of containing inflation, and fiscal coordination built on tight rules restricting public expenditure and state intervention, reflected how the EMU was an 'institutional fulcrum of the neoliberal integrationist project' (Cafruny & Ryner, 2007, p. 6). Indeed, for van Apeldoorn and Sandy Hager, the development of the EU since Maastricht was when integration went decisively neoliberal with the rise of competitiveness and austerity agendas (van Apeldoorn & Hager, 2010).

Governance as the Hedging of Hegemony

In making sense of the EMU as an 'institutional fulcrum' for neoliberal reform, critical approaches make use of the same institutionalist binary between negative economic integration through law and soft social governance through performance management. Rather than troubling this binary, critical political economy adds class content to it. Rules-based fiscal/economic governance is predominantly understood through Stephen Gill's concept of 'new constitutionalism' (Gill, 1995, 1998, 2008).⁹ New constitutionalism refers to the reliance on

⁹ A more recent version of this framing is Quinn Slobodian's concept of market 'encasement' (Slobodian, 2018). This perspective will be analysed in the next section on ordoliberalism.

law and constitution to ‘lock-in’ ‘disciplinary neoliberal’ reforms that structurally advantage global capital. The effect of new constitutionalism is to ‘separate economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces and correspondingly less responsive to popular-democratic forces and processes’ (Gill, 1998, p. 5). In doing so, a neoliberal agenda for liberalization and marketization becomes both legally obligatory and rendered as common sense. The new constitutionalism uses rules and international treaties, such as in the SGP, constrain the market interventions of national governments. Most notably, the concern for Gill is how new constitutionalism prevents states from using fiscal policy for counter-cyclical macroeconomic stabilization. By legally enshrining a narrow preference for sound money and limited government, the SGP removes fiscal policy out of public democratic hands, legally mandates austerity, and normalizes the idea that debts and deficits are a deviance to be corrected.

Corresponding to a ‘new constitutionalist’ enshrining of neoliberal marketization, critical scholars have likewise mirrored institutionalist perspectives regarding social policy. Compared to the compulsion of marketization in law, rule, and treaty; social protection is understood to take place through the managerial techniques of the governance paradigm. Critical political economy adds to institutionalist perspectives by addressing the social purpose of the EU’s managerial social policy in relation to the structural power of a transnational capitalist class. For van Apeldoorn et al., the rise of the governance paradigm was an ‘embedded neoliberalism’ ‘reaching its zenith’ (van Apeldoorn et al., 2009, p. 4).

On this basis, neo-Gramscian approaches follow institutionalist political economy in conflating the governance paradigm with the EU’s fraught pursuit of social policy. Against the backdrop of recession and rising unemployment in the 1990s and early 2000s, neo-Gramscians identify the introduction of managerial techniques of policy-making as significant insofar as they hedged neoliberal hegemony. Holman and van Apeldoorn identify the hand of transnational capital in the ERT in proposing corporate policy techniques like benchmarking (Holman, 2012; van Apeldoorn, 2001). Van Apeldoorn and Hager theorise the ‘social purpose’ of the governance paradigm as conceding symbolic ground to labour through quantitative targets on employment or poverty reduction, but taking a corporate form through benchmarking that was untroubling to the marketizing core of integration (van Apeldoorn & Hager, 2010). Thus, while ostensibly developing an EU social policy, the governance paradigm’s voluntary and corporate form through techniques like benchmarking represented the structural power of transnational capital

securing its flanks. Gill and Cutler capture this point by describing the managerial techniques of the governance paradigm as ‘safety valves for capitalism’ – conceding symbolic ground without challenging market rule (Gill & Cutler, 2014, pp. 16–17).

The significance of the governance paradigm for neo-Gramscian scholars is therefore found at the symbolic or discursive level of mediating macro-class relations. Van Apeldoorn cites the ERT as saying benchmarking’s significance is “not just an analytical device” but also “carries a symbolic message” (van Apeldoorn, 2003, p. 176). Equally, Holman points to the significance of quantitative policy instruments in the EU as ‘about the role of symbols or, to put it differently, about discourse production at the European level’ (Holman, 2006, p. 105). Angela Wigger likewise argues that “scoreboards of unit labour costs, alongside other competitiveness performance indexes and benchmarks of best practices, are disciplinary policy tools that constitute the apex of the neoliberal organization of capitalism” that reproduce a common sense of market rule (Wigger, 2019, p. 357).

The registering of the governance paradigm as significant mostly in symbolic terms reflects the privileging neo-Gramscians give to social content in interpreting institutional forms. The consequence of this though is that neo-Gramscians miss out on both the broader significance and concrete political stakes of the governance paradigm. While the structural power of transnational capital is palpable, reducing specific institutional shifts to a macro-analysis of this structural power means we lose sight of the specific power relations of practices like benchmarking. In contrast, I propose building a critical political economy of the governance paradigm. This means addressing the historical lineages of the managerial transformation of EU policy-making. In doing so, this critical political economy of governance will address both the rise of a managerial class within the EU’s political institutions, as well as the building of the EU’s supranational political capacity through the adoption of the force and format of public management. This move will show that managerialism in the EU has implied a totally different format of governance than is commonly interpreted through the framing of neoliberalism. As the next section will show, whereas theories of the neoliberalisation of European integration have mobilised a lineage of rule and principle-based ordoliberalism, public management as a format of governance has emphasised a discretionary and dynamic rationality driven by information-processing.

1.3 Ordoliberalism Rules Europe?

The onset of the Eurozone crisis brought a recommitment to the austerity rules of the Eurozone that Gill had highlighted as a ‘new constitutionalism’. In the EU, the morphing of a global financial crisis into a series of sovereign debt crises led Europe’s notable creditor states like the Netherlands and Germany to demand fiscal retribution to a perceived Southern European transgression of the EU’s budgetary rules. In attempting to make the Euro’s fiscal rules count, Europe’s crisis responses were notable for their punitiveness and sidestepping of democratic norms. Since the crisis, scholars have attempted to make sense of this strident use of executive state power to impose austerity.

One popular perspective has been to explore the influence of an ordoliberal lineage over European integration (Beck & Kotz, 2017; Biebricher & Vogelmann, 2017; Bonefeld, 2019; Cafruny & Talani, 2019; Dullien & Guérot, 2012; Feld et al., 2015; Nedergaard, 2020; D. Schäfer, 2016; Storey, 2019; Warlouzet, 2018; Young, 2014). Ordoliberalism is a variant of neoliberalism developed since the 1930s in Germany. It can be loosely divided between a ‘Freiburg School’ of lawyers and economists, such as Franz Böhm and Walter Eucken, a ‘Geneva School’ of ‘ordoglobalist’ economists such as Wilhelm Röpke, Ludwig von Mises, and Michael Heilperin (Slobodian, 2018, p. 8), and German politicians like Alfred Müller-Armack and Ludwig Erhard who morphed ordoliberal ideas into the post-war German ‘social market economy’ (Hook, 2004).

Ordoliberalism proposed a ‘third way’ for capitalism between laissez-faire liberalism and the interwar spectre of socialist planning. Its proponents rejected classical liberalism on the basis that an unrestrained market mechanism would ultimately erode the foundations of capitalism through the tendency of free markets towards cartelization and monopoly (Sally, 1996, p. 237). Instead, ordoliberals argued that a strong state was vital to achieve a market society. What distinguished the ordoliberal state was not the size of its interventions, but the form they would take. Michel Foucault paraphrases the ordoliberal Leonhard Miksch as saying: ‘there may be as many economic interventions as in a policy of planning, but their nature is different’ (Foucault, 2008, p. 133). Specifically, the purpose of the ordoliberal state was to set a constitutional and regulatory framework for market freedom. The ordoliberal state could not legitimately intervene directly into the functioning of competitive markets. Instead, it was responsible for constructing the system under which market competition would be possible. The ordoliberal state would therefore act according to principles and not whim. It would govern

through law, and regulation, not discretion and political direction. Walter Böhm, for example, argued that an ordoliberal system would ‘relieve the state of the task of central economic control and would restrict it to the task of defining the structural framework which would preserve and enforce observance of the control laws’ (W. Böhm, 1989, p. 63).

The lineage of ordoliberalism has been invoked in diverse ways as a political project, rationality, or set of ideas to make sense of the historical trajectory or features of European governance and the behaviour of the politically central role of the German state. What unites these perspectives is the view that rules matter in the EU. This section will argue that, while a lineage of ordoliberalism has an important place in the history of European integration, it is not the one we typically understand it to be. Ordoliberal ideas and actors have been extremely prominent at key moments of European integration, such as the creation of the European Economic Community (EEC) or setting the terms of the EMU. The actual conduct of governance in the EU has, however, always departed significantly from ordoliberal blueprints. The emergence of the governance paradigm is, I argue, exemplary of this fact. The literature on ordoliberalism does not dispute that ordoliberal ideas misfire. But it treats this misfiring as the inevitable slippage of theory into practice. As a result, EU governance continues to be read in terms of ordoliberalism, even when we recognise the contradictory relationship between the two.

Ordoliberalism has been a popular explanatory variable in making sense of both a puzzling German-led pursuit of self-defeating austerity through the Eurozone crisis and the lopsided design of the EMU that is seen to have caused the crisis in the first place. There are a multitude of ways in which this has been expressed. Some have argued that the ordoliberal ideas faithfully held by Germany’s state elite offers a reasoning for the country’s paradoxical advocacy of austerity at all costs (Beck & Kotz, 2017; Blyth, 2013; Bulmer, 2014; Dullien & Guérot, 2012; Matthijs, 2016; Nedergaard & Snaith, 2015; D. Schäfer, 2016). The principled belief that rules must be respected, that fiscal rectitude must be the paramount objective of responsible governments, and loose monetary interventions cause more damage than they seek to fix, has been seen to guide German-led EU responses to the crisis, regardless of the immediate social and economic costs.

Others put less emphasis on ordoliberal ideas in crisis responses, but instead on ordoliberalism as a lineage offering theoretical insight into the design of the Euro and the nature of governance within it. Holly Snaith and Paul Cardwell’s legalistic orientation leads them to ‘suggest that ordoliberalism serves as a convenient meta-theory to describe conventional

integration’ (Cardwell & Snaith, 2018, p. 1065). Pierre Dardot and Christian Laval’s Foucauldian reading of ordoliberalism leads them to suggest ordoliberalism’s relevance is not as a set of policy prescriptions or institutional designs, but as a ‘rationality of contemporary capitalism’ in terms of ‘the generalization of competition as a behavioural norm and of enterprise as a model of subjectivation’ (Dardot & Laval, 2013, p. 4). For Walter Bonefeld, ordoliberalism is a lineage that can be used to theorise the importance of political authority under capitalism (Bonefeld, 2017, p. 755). In applying this to understand European economic governance, Bonefeld argues that the Euro represents a ‘supranational structure of economic freedom, tying the democracies of member states to a market-liberal foundation’ (Bonefeld, 2015).

Others use ordoliberalism’s as a historical project to interpret the evolution of the EU. Slobodian argues that by occupying key positions within the EEC, ordoliberals directed integration ‘as a realization of Hayek’s vision of a nomocratic society protecting the division between private law beyond the interference of democratic governments alongside the public law of states’ (Slobodian, 2018, p. 214). Offering a similar historical perspective Dyson et al. highlight the weight of the ordoliberal Bundesbank in designing the EMU according to key principles of price stability and strict budgetary rules (Dyson & Featherstone, 1999). Likewise, Biebricher and Vogelmann argue that the institutional design of the EU’s various coordination mechanisms according to a ‘rules plus sanctions’ logic is testament to ‘what the ordoliberals would have called the economic constitution of Europe’ (Biebricher & Vogelmann, 2017, p. 17). Others place German ordoliberalism in a comparative context with France to understand the EMU as a clash of traditions and state priorities. Warlouzet describes the EMU as an ‘evolving compromise’ between German ordoliberalism and French dirigisme (Warlouzet, 2019). While Ben Clift and Magnus Ryner describe ordoliberalism as setting the ‘ideational parameters within which macroeconomic policy makers have to operate’ in the EMU (Clift & Ryner, 2014, p. 140).

The lineage of ordoliberalism has thus had a major role in our theorisations of European integration. But this is not such a settled story. Many others have raised objections to the idea that Eurozone crisis responses can be interpreted as ordoliberal. Siems and Schnyder, for example, have argued that actions like bank bailouts, ‘extensive funding of loans via the various stability mechanisms’, and ECB bond purchases ‘are not in line with ordoliberal principles’ (Siems & Schnyder, 2014, p. 389). Instead, Brigitte Young, Josef Hien, and Christian Joerges have highlighted that Eurozone crisis responses were largely in line with mainstream US public choice and New Institutional Economics taught in economics departments and business schools

across the world, rather than any German peculiarity inspired by ordoliberalism (Hien & Joerges, 2018, p. 143; Young, 2017, p. 140). Indeed, in an EU push for austerity, Economic and Monetary Commissioner Olli Rehn did not turn to the principles of ordoliberalism, but to the infamous work on ‘growth in a time of debt’ of American macroeconomists Reinhart and Rogoff (Rehn, 2011). Indeed, Hien and Joerges have described how ordoliberals ‘von Hayek, but also Walter Eucken would be horrified’ at the types of monetary and competitiveness-inducing policy instruments developed as a response to the Eurozone crisis (Hien & Joerges, 2018, p. 157).

In addition to doubts being raised over the idea that ordoliberalism influenced crisis responses, the idea that German-led austerity was somehow self-sabotaging, requiring an explanation emphasising an ordoliberal ideological dogma, has been challenged. For Julian Germann, Alan Cafruny and Leila Talani, the structural adjustment imposed on the eurozone in crisis responses can be well understood as a product of German state economic strategy (Cafruny & Talani, 2019; Germann, 2018). For these authors, the German economy’s dependence on exports to regions outside the eurozone, and the fragile class compromise that this domestic export-strategy relies upon, explains the decisions of German policymakers. Here, the crisis was used as an opportunity to lower labour costs across German value chains in Europe, while constraining the possibility of an expansionary European fiscal policy that would threaten the privileged undervaluing of the euro Germany’s export strategy relies upon.

In relation to European integration more broadly, ordoliberalism has a similarly complicated historical relationship. Ordoliberals have been seen as both integration’s principal architects and sharpest critics (Slobodian, 2018, p. 182). Initially, ordoliberals were not convinced by European integration (Joerges & Hien, 2017, p. 7). This has led many to dispute the historical influence of ordoliberalism over the design and trajectory of the EEC/EU/EMU. This is most clear in the field of EU competition policy – often taken as the hallmark of an ordoliberal Europe. Whereas ordoliberal competition policy called for the distribution of market power as a moral principle, Pinar Akman, Hussein Kassim, and Angela Wigger highlight that the relevant Article 82 of the European treaties does not oppose monopoly as such but merely its abuse (Akman & Kassim, 2010, p. 127; Wigger, 2017, p. 175). To this extent, Wigger argues that a ‘diligent translation of ordoliberal templates into regulatory arrangements never happened’ in constructing the EU and can be better explained with reference to Chicago neoliberalism (Wigger, 2017, p. 163).

Likewise to competition policy, scholars have disputed whether the managerial policy-making machinery of the governance paradigm can usefully be understood through a history of ordoliberalism. Christian Joerges has argued that the Maastricht Treaty marked ‘the erosion, rather than a consummation, of the ordoliberal project’ (Joerges, 2017, p. 181). Rather than building market power through law, Joerges argued that Maastricht was a ‘de-legalisation’ of integration which to ‘characterise... as “ordoliberal” is to disregard the legal legacy of this tradition completely’ (Joerges, 2017, p. 195). Whereas ordoliberalism preached the fundamental primacy of the rule-of-law, the growth of what Joerges calls a ‘transnational executive machinery’ through the transformations of the governance paradigm since the 1990s makes it difficult to characterise the post-Maastricht EU as ordoliberal (Joerges, 2014).

Ordoliberalism has, then, had a complicated and turbulent relationship with European integration. Scholars of the ordoliberal lineage are the first to admit this. Slobodian, for example, writes how ‘neoliberal thought has not mapped directly onto reality’ (Slobodian, 2018, p. 19). Bonefeld also argues that ‘illusion dominates reality’ in arguments that ordoliberalism is a faithful political project pursued by German elites in Europe (Bonefeld, 2019). And yet, I argue that the troubled history of ordoliberalism has been only partially taken up as a way to theorise neoliberal integration and the governance paradigm. Despite Slobodian agreeing ordoliberalism’s turbulent relationship with European integration, he nevertheless makes it central to a theorisation of market ‘encasement’ that takes ordoliberals at their word in conceptualising state practice.

Ordoliberal tenets like rules do exist extremely prominently in the Eurozone, moral hazard is preached as a religion, competition is held sacred. And yet, in terms of the day-to-day infrastructure of policy making in the EU, a very different kind of project has been created - a world of numbers, information processing, and governing in terms of the exception rather than enforcement of rules. The managerialism of EU governance cannot be reduced to ordoliberalism because they practice very different forms of policy-making. As chapter two will elaborate, ordoliberalism preaches principle-based stability, managerialism practices cybernetic information-driven discretion. This managerial form of governance has increasingly become a systemic feature of EU governance as Joerges notes as an ‘transnational executive machinery’ or Bonefeld as an ‘executive managerialism’ (Bonefeld, 2017, p. 756; Joerges, 2014).

The fact that the managerialism of the EU is recognised but not theorised outside of neo/ordoliberalism is arguably a problem of methodology. Slobodian, Bonefeld, and Dardot and Laval would not argue that the purpose of excavating an ordoliberal tradition is to

instrumentally demonstrate how ordoliberal ideas impacted policy practice. Nevertheless, by leading their analysis with ordoliberal thought, this body of theory inevitably constrains the horizon of analysis. In contrast, this thesis argues that to make sense of policy coordination, we must historicise the concrete institutional practices that are used to govern in the EU. What this means is that rather than theorising the nature of a misapplied rules-based economic constitution, this thesis will begin from the premise that rules have been largely ignored and partially mobilised in the EU. Instead, I ask what has been constructed to govern the EU once we accept ordoliberal rules have little practical significance. To do so, I argue the history of public budgeting and state planning is an important avenue to explore.

1.4 Governance as Governmentality?

My critique of ordoliberalism has been that it leads its analysis with a body of theory that is contradictory to the conduct of European governance. A literature that has, in contrast, engaged directly with the practices of managerialism in the governance paradigm is a Foucauldian literature on governmentality. The neo-Gramscian approach discussed earlier often deferred to a Foucauldian concept of governmentality to elaborate the discursive work of techniques like benchmarking that arose in the 1990s. The work of Stephen Gill and Bastiaan van Apeldoorn never probed too deeply what exactly this governmentality meant. Instead, the discursive work of policy surveillance was hedged as ‘something akin to a Foucauldian condition’ or ‘in a Foucauldian sense’ (Gill, 1998, p. 17; van Apeldoorn et al., 2003, p. 38).

Beyond this neo-Gramscian dabbling with Foucault, governmentality is a concept widely mobilised to make sense of the governance paradigm in the EU (Bailey, 2006; Bruno, 2009; Bruno et al., 2006; Haahr & Walters, 2004; İşleyen, 2015; Mitchell, 2006; Shore, 2011; Vifell & Sjögren, 2014). This is part of a wider Foucauldian literature on (global) governance and governmentality (Bailey, 2006; Bevir & Gains, 2011; Joseph, 2010; Sending & Neumann, 2006; Shore, 2011, 2011). In many ways, a Foucauldian approach is perfectly suited to interpret the governance paradigm. The governance paradigm has been about the diffusion of social organisation into networks that do not rely on direct or hierarchical coercion but instead on steering at a distance. As such, a concept of governmentality that emphasises diffuse capillary

power and ‘governing at a distance’ through the ‘conduct of conduct’ is highly attractive and has been incredibly popular.

Nevertheless, I will argue that the Foucauldian literature offers a similar challenge to the neo-Gramscian and ordoliberal literature. Namely, both approach the managerial practices of the governance paradigm as a vector of neo/ordoliberalism rather than something to explain itself. The neo-Gramscian’s interest in social purpose abstracted the governance paradigm into a macro-political economy of transnational capitalism. In contrast, while a Foucauldian approach analyses the concrete practices of governance, the theoretical significance it draws from managerial policy practices is of political rationalities exercised through them or the identities presumed to be constructions through them. As a result, a concept of governmentality is overrun by the analytical weight of neoliberalism that diminishes the significance of managerialism as a distinctive phenomenon (Knafo et al., 2018, p. 240). By leading their analysis with a political rationality of neo/ordoliberalism, Foucauldian approaches lose historical perspective on managerial policy techniques, their social relations, and thus their politics. Indeed, as chapter two will show, a historicist approach to the managerialism of the governance paradigm reveals its considerable difference from neoliberalism as a form of social organisation. This section will review two emblematic approaches of governance and governmentality in the EU from Isabelle Bruno (Bruno, 2009; Bruno et al., 2006; Bruno & Didier, 2015), and Jens Henrik Haahr (Haahr, 2004; Haahr & Walters, 2004). These approaches have directly addressed the rise of the governance paradigm in Europe and, in particular, the development of the Open Method of Coordination as ‘advanced liberal government’.

More than any other literature, governmentality approaches do the most to critically analyse the distinctive ‘form’ neoliberal integration has taken. Neo-Gramscians share a proclivity for the micropower of governmentality in reproducing neoliberalism in the EU. But they tend to underspecify this political work. From a Foucauldian perspective, practices like benchmarking do much more than symbolic work mediating hegemony. They have an ordering role. The governance paradigm from this perspective is not simply ideological claptrap doing the hegemonic work of embedding neoliberal marketization. Rather, Haahr and William Walters argue that governance ‘represents a very ambitious and far-reaching programme of government’ (Haahr & Walters, 2004, p. 133). Bruno, together with Sophie Jacquot and Lou Mandin, elaborate this point. Writing about Europeanization, the scholars argue the process is not a straightforward pattern of policy convergence or divergence. Rather, it is a process only made

manifest in the policy techniques through which it is implemented. In particular, Bruno et al. highlight the importance of benchmarking as a policy technique that constitutes the very process of Europeanization it seeks to merely represent (Bruno et al., 2006, p. 521).

In taking the techniques of governance seriously, Foucauldian approaches attach a specific lineage to them. This is distinct from neo-Gramscians that mostly interpret EU governance as the operationalised structural power of transnational capital. Rather, for Foucauldians the governance paradigm has managerial origins. Haahr and Walters, for example, point out that governance 'is being rethought in part in terms of the idioms and practices of management theory' (Haahr & Walters, 2004, p. 20). While registering this managerial lineage though, the Foucauldian literature rarely engages substantially with it as a way to rethink the social relations and politics of the managerialism of the governance paradigm. Instead, the theoretical significance drawn from managerial policy-making is placed in relation to a political rationality of neoliberalism.

Examining the governance paradigm, Foucauldian scholars identify it as a new form of liberal governmentality premised on governing at a distance. The limits to the legal, directive authority of EU institutions meant the OMC represented a 'cognitive form of intervention...[that] brings to the fore the key instruments needed for elaborating, selecting and channelling substantive ideas of Europeanization' (Bruno et al., 2006, p. 521). Thus for Bruno, 'benchmarking subjects policy-makers to a disciplinary technology that operates without law enforcement but with peer pressure and reputational incentives' (Bruno, 2009, p. 276). Likewise, Haahr and Walters identify in the OMC a form of governmentality that does not seek to rule directly, but is interested in crafting subjects in line with particular objectives. They write that 'instead of 'pulling the levers' of macro-economic policy, economic governance increasingly becomes concerned to reform the conduct of individuals and institutions in all sectors to make them more competitive and efficient' (Haahr & Walters, 2004, p. 134).

The significance for Foucauldian scholars of the work of governing at a distance is not the social relations of what is constructed as an infrastructure of supranational governance. Instead, when Foucauldians theorise the governance paradigm they focus on the forms of discipline placed on governed subjects and the kinds of identities created 'from a distance'. For Haahr, the significance of the OMC lies how it conditions the national governments that populate scoreboards of policy performance. Haahr writes how the OMC 'enables and opens up new possibilities for its subjects, and restrains these subjects as they are made subjects of a

certain calculative and disciplinary regime” (Haahr, 2004, p. 209). For Haahr, the managerial techniques of EU coordination that govern at a distance are about conditioning free liberal subjects on the premise that ‘in order to act freely the subject must first be shaped, guided and moulded into one capable of responsibility exercising that freedom’ (Haahr, 2004, pp. 215–216). Managerial coordination is thus about crafting particular identities of governed subjects, rather than the instrumental empowerment of those wielding the benchmarks.

This moulding of subjects is seen as a selective political process exercised through uneven ‘practices of visibility’ (Haahr & Walters, 2004, p. 126). Visibility practices refer to ‘what kind of light... a field illuminates and defines certain objects and with what shadows and darkness it obscures and hides others’ (Haahr, 2004, p. 213). Likewise, Bruno, Jacquot, and Mandin write how ‘through the OMC, the EU delimits *what should be done*, and defines *what should be a good pension reform policy*’ (Bruno et al., 2006, p. 523). Rather than being a neutral tool of Europeanization, Bruno et al.’s point is that intrinsically built into benchmarking as a practice of liberal governmentality is a specific political commitment for a neoliberal ethos of competition. A Foucauldian perspective emphasises how benchmarking is significant insofar as it practically constitutes the competitive world of a neoliberal utopia. Bruno writes how the OMC ‘renders completely disparate public services, territories and populations commensurable, which makes it possible to subject them to the same competitive regime’ (Bruno, 2009, p. 263).

The trouble with a governmentality approach is that it ultimately ends up instrumentalising managerial policy techniques as a vector of neoliberalism in a similar fashion to neo-Gramscians. In doing so, we lose perspective on the specific form of power created with the rise of managerialism in terms of its history, the agents it empowers, and the logic of social organisation it implies. By focusing on the kinds of subjects and visibilities that are created through benchmarking competitiveness, the OMC as a practice becomes analytically inseparable from the neoliberal rationality of competitiveness that is said to be exercised through it. Bruno, Jacquot, and Mandin write that the instilling of a principle of competitiveness in subjects is inseparable from the benchmarking technique that is its vector. They write that ‘policy instrumentation stems from political strategy’ (Bruno et al., 2006, pp. 523, 530). To this extent, framed by governmentality, the significance of benchmarking competitiveness is how it creates the competitive subjects imagined by neoliberals. Bruno elsewhere describes how ‘this technology of government actually constructs a ‘competitive Europe’ by creating union through

competition’ whereby ‘the norm of competitiveness is endogenous to the endless competition in which benchmarking engages its users’ (Bruno, 2009, pp. 271, 277).

The governance technique of benchmarking competitiveness, however, has none of this omnipotence to craft subjects – neoliberal or otherwise. Reporting against the benchmarks for social policy or deficit limits are more prone to gaming or outright rejection by member states through fudged accounting or political disengagement rather than creating competitive, neoliberal subjects seeking to climb rankings. While Foucauldian scholars would not subscribe to the idea of omnipotence in crafting competitive subjects, the conceptual framing of governmentality is ultimately limited in separating out the significance of governance besides its contribution to creating a particular kind of subject. As a result, the governance paradigm is more relevant for Foucauldians only in terms of what is presumed to be done to the subjects over which benchmarking practices are wielded, rather than what they do to empower those wielding benchmarks.

Governmentality offers an important perspective on the governance paradigm and has been widely adopted as a consequence. The governance paradigm has brought the rise of techniques like policy surveillance and benchmarking that govern at a distance, as well as the proliferation of numbers in global governance that seemingly present an objective representation of social life. A Foucauldian concept of governmentality seemingly fits this age of governance, pointing to how liberal techniques condition our freedom rather than control our behaviour. But governmentality offers little when the objective turns to gaining a historical perspective on the social relations of managerial policy-making. While registering the managerial roots of contemporary governance, Foucauldian studies do not mobilise this history as a way to explain the dynamics of managerial policy-making. Instead, it remains theoretically burdened, much like the neo-Gramscian and ordoliberalism literature, by the analytical weight of neoliberalism. Instead, I propose addressing more directly the practices of the governance paradigm not in terms of the political rationalities they propel, but as a social relation contextualised within a history of managerialism.

Conclusion

This chapter has discussed how four literatures – institutional political economy, critical political economy, a literature on ordoliberalism, and Foucauldian studies – analyse the

significance of the governance paradigm in relation to the EU. The chapter has argued that governance has been conflated with the political subordination of a progressive use of public finance for macroeconomic stabilisation and political redistribution purposes, compared to an ordoliberal rules-based framework of expenditure control. As a result, we have not considered the governance paradigm's broader significance in transforming the nature of political intervention in the EU from rules to performance management. The consequence of this is that our politics of 'governance' is often misplaced. For much critical literature, the governance turn is of secondary concern. Benchmarking is only seen as relevant in a battle over symbols or the distilling of a neoliberal ethos, while the real politics is related to ordoliberal rules constraining progressive policy-making at the behest of the structural power of capital. Instead, this thesis argues that the governance paradigm represents a more profound transformation in the format of policy-making in the EU along managerial lines.

To develop this point, I argue that we must place the governance turn in the history of budgeting. The budget is the principle instrument of public policy. The fact that the supranational institutions of the EU lack financial autonomy through a means to tax-and-spend is the main complaint of critical literature which they explain by the triumph of neoliberalism. The managerial techniques of policy coordination are subsequently read as a poor approximation of a strong fiscal capacity in terms of a budget that can fulfil redistribution and stabilisation functions. In contrast, by placing the governance turn more precisely in the history of budgeting, the next chapter will demonstrate how the governance paradigm spoke to an alternative form of budgeting, rather than the absence of it. While the EU lacked financial resources, they built on a legacy of budgetary planning. The significance of this was how supranational institutions gained a stake in policy-making by reformatting it in managerial terms of strategy and information processing. While the EU may not be a federal welfare state, neither is it an ordoliberal economic constitution. Instead, I argue the EU increasingly resembles a supranational planner.

Chapter 2: Revisiting Governance through Budgeting

Introduction

The previous chapter unravelled how the governance turn of the EU has been under theorised outside of the lineage of neo/ordoliberalism, despite differing in important ways from a neoliberal approach to social and political organisation. Whereas the previous chapter reviewed the literature on governance, this chapter will provide a new historically-driven theoretical perspective on the governance paradigm through the history of budgeting.

Governance is the ‘notoriously slippery term’ of social science (Torring, 2010, p. 563). The word has infected the discourse of social science to the point of banality. It rolls off the page to capture questions of social organisation in ways more flexible and general than most other concepts can. The generality of governance has made efforts to formalise and theorise it difficult. Indeed, governance is a concept defined only by its promiscuity. In Rhodes’ seminal 1996 article on governance, he had already identified six contrasting ways in which the concept was being used (Rhodes, 1996, p. 653). Likewise, in 1995 Finkelstein highlighted global governance’s elusive usage, arguing that it ‘appears to be virtually anything’ (Finkelstein, 1995). Of course, the concept’s promiscuity and generality has not stopped its growth in the social sciences. If anything, it has facilitated it. The more you tried to stem the conceptual tide of governance, the faster it rose.

When governance arose as a concept in the 1990s, social organisation was perceived to be undergoing a radical change (Eising & Kohler-Koch, 1999; Rosenau & Czempiel, 1992; Stoker, 1999). The singular public authority of the state seemed to be giving away to new kinds of private self-regulation and public-private-partnerships. The rule-driven hierarchy of bureaucracy seemed to be melting into more diffuse, flexible, and dialogic ‘steering’ of ‘networks’ made up of complicated patchworks of contracts, audit, and benchmarking exercises. The centred authority of the nation-state seemed to be diffusing upwards to supranational organisations and downwards to local and regional administrations.

Governance’s conceptual rise had a normative edge. Bound up with the modernising zeal of Third Way social democracy, governance was a concept invoked to recapture a sense of public purpose and political direction to a state ravaged by neoliberalism. Whereas neoliberalism had undone the consensus of postwar welfarist planning, governance was a

concept that implied planning's return as a networked, partnered, entrepreneurial, and strategic process.

Given the governance paradigm's re-ascription of a sense of planning to the state, it is surprising that the major instrument of public policy – the budget – features minimally in theorisations of governance. As the mechanism for the allocation of resources, state budgeting is the principal means a society's priorities are negotiated and implemented. Given the centrality of budgeting to setting and delivering political direction, it is surprising that as governance burst conceptually onto the scene, heralding a new age of state activism, the financial aspects of this were often lacking. Governance has been organisational in its orientation, not financial. Governance theorists look at the new modes of policy delivery via networks and partnerships (Börzel, 1997). Or they look at the spatialities of power in 'multilevel governance' arrangements (Hooghe & Marks, 2001). A recent handbook on governance includes only a single chapter on 'budgeting and finance', which hardly connects with broader themes of governance at all (Bevir, 2013). If governance has been about the active use of public authority, it seems to have left the budget behind.

Governance is not a concept that has always been so removed from budgeting. The British planner and prominent systems analysis Sir Geoffrey Vickers pointed in 1981 to a growing field of 'human governance' tied to experiments in new budgeting practices as part of state planning. He said "Governance" is the newest professional field to "go academic" under many names (policy science, management, planning, administration)' (Vickers, 1981, p. 24). Likewise, a 1973 text from two Californian professors of planning Horst Rittel and Melvin Webber, disparagingly connected governance with pretensions of scientific, rational budgetary planning. They wrote that 'many now have an image of how an idealized planning system would function. It is being seen as an on-going, cybernetic process of governance' (Rittel & Webber, 1973, p. 159).

These early mentions of governance spoke to an innovation taking place in the budgetary process in the mid-twentieth century. Budgeting was traditionally conceived as a means of resource allocation or expenditure control. In contrast, the trial of PPBS in OECD countries in the 1960s involved a new form of budgeting that emphasised planning. PPBS attempted to turn the appropriation system into a strategic planning process that aligned the allocation of resources with quantified policy objectives and rigorously monitored policy performance against them. In this way, PPBS anticipated in the field of public finance the

managerial form of rule that arose more broadly in the 1990s as the governance paradigm. Given the importance of budgeting to public policy, and the fact that the managerial techniques of the governance paradigm were once invoked to describe a new form of budgeting, it is all the more surprising that depictions of the shift from government to governance in the 1990s seemed to leave public finance behind.

This chapter argues that the governance paradigm should be understood in light of this major transformation to the nature of budgeting, namely the rise of what Schick calls 'budgetary planning' (Schick, 1966) and is elsewhere described as part of a broader 'managerial governance' (Knafo et al., 2018). The chapter argues that the heralded shift from government to governance in the 1990s was a function of an innovation in managerial governance. I argue that the governance paradigm referred to a moment when post-war techniques of quantified, strategic planning was resurrected as a way to build supranational authority.

Whereas budgetary planning tied objectives to their financial implications within appropriation cycles, the managerial techniques of the governance paradigm practiced a form of planning that worked outside of appropriations. This detaching of planning from budgeting was as a response to two obstacles. First, the information processing requirements of PPBS proved too onerous for the bureaucracies of the 1960s which were predisposed to think of policy in terms of procedure or principle and not strategy or objectives. Second, the political entrenchment of budgetary appropriations meant the redeployment of public finance proved unresponsive to analytically-determined decisions. The governance turn in the 1990s spoke to a moment where the strategic policy orientation of budgetary planning was resurrected but pursued outside of appropriation systems. Budgeting was embraced as a process of strategic decision-making rather than resource allocation or control.

The rise of such managerial planning had important implications for the EU and other IOs. IOs face the unique challenge that their supranational authority is constrained by their lack of financial autonomy and an infrastructure to enforce their agendas. The techniques of planning without financial resources thus proved highly attractive to IOs. By reformatting their work in the managerial framing of planning - thinking about policy-making in terms of strategising and information processing - IOs could gain a stake in national-policy making beyond what their financial means would imply. As the later chapters will show, the managerial framing of 'governance' was enthusiastically embraced by the EU in the 1990s and 2000s as it struggled to build its supranational authority.

The chapter will historicise the emergence of the governance paradigm through the history of budgeting in OECD countries. First, the chapter historicises the rise of budgetary planning in the 1960s US defence establishment's experiments with PPBS and its transatlantic translation into the bureaucracies of Western Europe. Second, the chapter analyses the crisis of budgetary planning in both the US and Western Europe in the 1970s amidst growing political anxieties about 'ungovernability'. I show how PPBS's failure nevertheless set in motion the development of a new social forces of public management. Special attention here is given to the institutionalisation of the social forces of public management in Europe's two major countries France and West Germany. This will set up later chapters on the role of European public management in remaking the EU. Third, I show how the changes of the governance paradigm were led by public management and recreated many of the techniques of budgetary planning. Finally, I engage with a literature on IOs to show how the resurrection of planning found special favour among supranational institutions in the 1990s.

2.1 The Rise of Budgetary Planning in an Age of Incrementalism

Modern Budgeting as Management and Control

In the US, modern budgeting as a purposeful task of government emerged only in the early 20th century as part of Progressive era reforms. Capturing this rise, Frederick A. Cleveland described in 1915 the emergence of a 'budget idea' in the US. Cleveland pitched a novel perspective that the public budget was a plan for financing government 'submitted by a responsible executive to a representative body' (Cleveland, 1915). That budgeting was proposed as an *executive* process was a radical shift. The legislature is traditionally figured as possessing the means of financing government. In contrast, Cleveland pushed budgeting into the hands of the growing US federal government. His effort was more than just theoretical. Cleveland was director of the Bureau of Municipal Research in New York, from where major Progressive Era innovations of public administration, municipal statistics, and the application of scientific management to government were born (West, 2011; Williams, 2003). Through the Bureau, New York had pioneered efforts to develop a unitary municipal city budget that Cleveland's executive proposal captured (Lee, 2013). Via the Taft Commission on Economy and Efficiency between 1910-1913, Cleveland had

subsequently been instrumental in proposing the creation of the federal executive budget, eventually adopted with the 1921 Budget and Accounting Act.

Progressive Era budget reforms stemmed from efforts to tackle the corruption of a diffuse government apparatus organised around tribal public offices and political machines. Cleveland described the 'budget idea' as 'a reaction against the results of irresponsible government, the political boss, log-rolling methods, pork barrel legislation' (Cleveland, 1915). By centralising budgeting functions within the executive, specifying in detail what expenditure was to be used for, and providing a set of tight controls over the use and allocation of funds, budgeting in the Progressive Era was reimagined as the means to efficient, accountable (and therefore democratic) government (Kahn, 1997).

For Schick, this was an era of budgetary 'control' built on the authority of the accountant as a guardian of expenditure. As a response to corruption and fragmented public expenditure, the focus of budgetary reform was 'developing an adequate system of expenditure control' (Schick, 1966, p. 245). Progressive reforms at the Bureau in New York had toyed with organising budgetary allocations along the lines of policy 'functions' as a means to better plan spending (*ibid.*). In the end, however, the overriding objective of seeking an 'assurance against corruption' meant the first executive budgets at the beginning of the twentieth century were organised around meticulous line itemizations of expenditure and detailed procedures of control (West, 2011, p. 11).

While a control function dominated budgeting at the beginning of the twentieth century, the New Deal transformed the federal government – and budgeting with it. As the government grew in size and scope, a greater sense of public purpose began to be ascribed to government work to tackle unemployment, provide social services, or stabilise the economy. As the government's public purpose grew, so did the national budget. For Schick, the New Deal led to a shift in budgeting from 'control' to 'management' whereby the 'task of budgeting was redefined as the effective marshalling of fiscal and organizational resources for the attainment of benefits' (Schick, 1966, p. 249). For Naomi Caiden, budgeting was refocused from controlling expenditure to facilitating spending money. She writes how 'traditional external controls were changed to internal controls, detailed line items were consolidated into block appropriations, pre-audits became post-audits' (Caiden, 2010, p. 204).

The management orientation of budgetary reform was most visible in the rise of the performance movement of the 1930s and 1940s (West, 2011). While the Progressive era of

reform may have waned, the objective of extending scientific management to government reached its apogee in the management era of budgetary reform. The characteristic example of this was perhaps Clarence Ridley and Herbert Simon's project 'Measuring Municipal Activities', which pioneered the statistical measurement of the efficient use of public resources (Ridley & Simon, 1943). The 1949 Hoover Commission introduced the idea of a performance budget (what had previously been called functional budgeting) into the federal government (Schick, 1966, p. 250). This reorganised the budget from line items into functions (e.g. security, not rifles; education, not pencils) and encouraged the meticulous measurements of outputs in order to monitor cost efficiency. This budgetary focus on functions, rather than financial control led to public administrators displacing the accountants of the control era within bureaucracies (Schick, 1966, p. 245). Most significantly in this respect, the 1937 Brownlow Committee transferred the US Bureau of Budget out of the control oriented Treasury Department and into the new Executive Office of the President.

Systems Analysis and the Military Origins of Budgetary Planning

Following WW2, public expenditure increased dramatically. The post-war expansion of welfare and complicated weapons systems of the nuclear age led to spiralling costs. Alongside this, many OECD countries were embracing Keynesian demand management strategies that actively used fiscal policy as a tool of statecraft. Building on earlier management reforms, the budget was increasingly used as a means to pursue policy objectives - notably full employment and economic growth. It was from this context that budgetary planning arose. Schick's seminal article on budgetary reform highlighted this shift in the rise of the Planning Programming and Budgeting System (PPBS) (Schick, 1966). While relatively short lived, PPBS was revolutionary in its intents to rethink the very nature of budgeting. PPBS failed to remake the appropriation process as it had hoped. Nevertheless, as the final section of the chapter will argue, it was the lessons and responses to the challenges of budgetary planning from which the developments labelled as the governance paradigm arose.

Budgetary planning had military origins. PPBS emerged from the development of systems analysis at RAND in the 1950s and 1960s, which in turn built on the development of Operations Research (OR) during WW2 (Digby, 1989). OR involved using statistical and mathematical techniques for optimising military operations (Gass & Assad, 2005). No single technique or method defined OR. The complexities of war, where data was unreliable, decisions

rapid, and circumstances dynamic, meant the analytical tools of OR were frequently adapted and manipulated in connection with the shifting requirements of military operations (Thomas & Buchwald, 2015, p. 98). The specifics of wartime OR ranged from the haphazard use of numbers to guide decision-making, to more elaborate statistical analysis of operational processes. The emphasis placed on systems, the interface of humans and machinery, and the relationship between inputs and outputs meant OR was important to the development of cybernetics (Pickering, 2010).

The impact of OR, according to Philip Mirowski, was to act as ‘the workshop where the postwar relationship between natural scientists and the state was reconfigured’ (Mirowski, 1999, p. 690). At the end of the war, OR had become closely integrated into military operations. Rather than disassembling a huge scientific-military infrastructure that had been established, the continued strategic compulsion of the Cold War led to its consolidation (Mirowski, 2008, p. 159). Consequently, post-war science and knowledge production increasingly fell under military patronage.

Of special importance in this respect was RAND, the ‘Research and Development Corporation’ and self-described first modern think tank. RAND was established in 1945 as part of the Douglas Aircraft Company as a think tank providing research and analysis for the US Air Force in Santa Monica, USA. By 1948, RAND had been spun off as an independent organisation. A number of the most significant conceptual, methodological, and practical techniques of the twentieth century came out of RAND. This included modern neoclassical economics (Mirowski, 2008), computing (Ceruzzi, 2003), game theory (Erickson, 2015), systems analysis (Majone, 1985), rational choice (Amadae, 2003), business studies (Khurana, 2010), and forecasting (Andersson, 2018). Of special importance here is how RAND contributed to rethinking budgeting.

At RAND, there were originally hopes in the 1940s/1950s that the application of advanced mathematical techniques, powered by new digital computers, could produce a ‘science of warfare’ fit for the nuclear age. Mirowski highlighted how such was the reliance on the computer as an organisational tool at RAND that ‘problems of rationality and organizational efficiency became conflated with problems of computer design and programming’ (Mirowski, 2008, p. 188). For Heyck, the systems thinking underpinning this was characteristic of a ‘high modernism,’ an instrumentalist faith in the capacity for technical control over nature and society (Heyck, 2015).

While adding rigour to defence thinking, the incorporation of advanced mathematical techniques into strategic planning failed to provide a definitive solution to military problems (Mirowski, 2008, p. 330). Game theory was initially thought to provide an innovative language for expressing social interaction in seemingly rigorous mathematical vocabulary and render decision-making subject to algorithmic programming. But the inability to arrive at single solutions to many games ultimately meant it was limited in achieving an ambitious ‘science of war’. The debates surrounding the notorious prisoner’s dilemma game, for example, revealed that it contained no ‘right’ answer and that game theory could be used to justify multiple courses of action (Abella, 2009, p. 57).

In the place of a ‘science of war’, RAND developed a more modest, but no less transformative, methodology of decision-making - systems analysis. This was ‘a collection of methods for problem solving ranging from complex quantitative analysis to common sense logic’ (Amadae, 2003, p. 44). As a technique, systems analysis was about aiding decision-making by emphasising the importance of clarifying problems, setting objectives and alternative ways to achieve them, and comparing these alternatives in terms of their costs and benefits (Quade & Boucher, 1968, p. 2). Systems analysis was originally used to make decisions over expensive defence investments. Where massive amounts of money were required to wage nuclear war, and the consequences of a poor use of funds meant annihilation, systems analysis provided a set of techniques through which decisions could be apparently put on a rigorous basis. Systems analysis in the world of defence became a powerful tool to intervene in policy debates, less by resolving strategic decisions, than grounding battles for additional funding on the seemingly rigorous analytical footing of costs and benefits (Abella, 2009, p. 63).

It was this technique of systems analysis that has transformed policy-making in the twentieth century and the premise of the rise of ‘managerial governance’ (Knafo et al., 2018). Of particular concern here is how systems analysis attempted to transform budgeting. This was tied to the arrival of Robert McNamara at US Secretary of Defence in 1961. McNamara had previous experience with OR, serving with the Office of Statistical Control (OSC) on issues of bomb accuracy and transport logistics during the war. Following the end of the war, McNamara was part of the ‘Whiz Kids’, a team of OR practitioners marketed for post-war civilian use and parachuted into the Ford Company. Here, McNamara would apply the statistical and management techniques developed at the OSC, rising to be the first president of Ford outside

the family in 1960. This presidency did not last long, however. Following the election of John F. Kennedy in 1960, McNamara reluctantly accepted the position of Secretary of Defense.

Arriving into office, McNamara was concerned with waging the Defence Secretary's perennial conflict of establishing civilian control over a defence sector dominated by the military establishment. Within the US's growing military-industrial complex, the defence department spent vast amounts of resources on complex and costly weaponry and staff. The budgeting process was organised around negotiations between rival fiefdoms in the army, navy, and air force, all putting forward their claims for larger appropriations. Reflecting on his plans to rationalise this process upon taking office, McNamara said it:

Reflected an approach to organizing human activities that I had developed at Harvard and applied in the army during the war and later at Ford... it was to define a clear objective for whatever organization I was associated with, develop a plan to achieve that objective, and systematically monitor progress against the plan' (McNamara, 1996, p. 24).

Such thinking significantly paralleled systems analysis which, according to Abella, McNamara was doing 'even before he knew the existence of the term, much less the discipline' through his work at Ford and the OSC (Abella, 2009, p. 136). It was an encounter, however, with RAND's Charles J. Hitch that McNamara found the specific techniques through which to restructure the Defense Department in line with his ambition. Charles Hitch and Roland McKean's 1960 book *The Economics of Defense Spending in the Nuclear Age* offered a practical guide for rationalizing defence spending through systems analysis (Hitch & McKean, 1960). McNamara appointed Hitch the Defense Department's Comptroller, responsible for directing the transformation of military budgeting. The outcome of this was the introduction of the PPBS into the US defence department.

Budgeting as Strategising

PPBS attempted to apply systems analysis to the process of budgeting. This meant to establish a stronger link between the objectives of public policy and their financial implications. In doing so, it proposed a way to think about budgeting as means of strategic decision-making rather than simply resource allocation or expenditure control. Hitch and McKean described how 'strategy and cost are as interdependent as the front and rear sights on a rifle' (Hitch & McKean,

1960). For systems analysts, independently deciding on either how much to spend, or what strategy to pursue, was a flawed approach to budgeting. At the time, Virginia Held argued that 'starting out with an immovable sum, and deciding how to spend it makes little sense for an entity such as the U.S Government' (Held, 1966, p. 106). Instead, budgeting had to be reorganised to reflect that, as Alain Enthoven and K. Wayne Smith put it, 'ends and means interact. What is worth trying to do depends in large part on how much it costs' (Enthoven & Smith, 2005, p. 35).

The shift from both the control and management era of budgeting was massive. Performance budgeting of the Progressive era in the 1930s to 1950s had attempted to reorganise budgets into 'functions' of work. The difference from PPBS was that performance budgeting did not reflect on the strategic purpose of those functions. As Schick described, 'from the planning perspective, the all-important thing surely is not the work or service to be accomplished but the objectives or purposes to be fulfilled by the investment of public funds' (Schick, 1966, p. 251). As a budgeting system, PPBS involved requiring budget holders to apply systems analysis to their activities in order to determine how budgets should be allocated in the first place and not just measure whether budgets were used efficiently after money had been spent. This meant to specify in quantitative terms the range of possible policy objectives, their cost implications, and the indicators to monitor performance.

The parallels here to modern performance management techniques of the governance paradigm are clear. The interest of this work was not the efficiency of spending in terms of the amount of output that could be produced by dollar spent, as had been the concern of the management budget orientation previously. It was about determining the effectiveness of each possible dollar spent in terms of the alternative uses to which it could be put, as measured in the quantified indicators set by the organisation - e.g. the body count, percentage of desired education test scores, number of positive health outcomes, etc. As a planning process, budgeting therefore became about not allocating resources per se, but rationally determining how resources should be allocated. Budgeting became a process of strategic planning and not resource administering.

PPBS Across the Pond

PPBS did not stay in the defence sector long. Seizing on the prospect of applying scientific rigour to welfare programmes, it was applied across the federal administration as part

of President Johnson's 'war on poverty' (Jardini, 2000; Light, 2003). Systems analysis and PPBS also found favour across other OECD countries in the 1960s and 1970s, including in France and West Germany.

In France, PPBS was launched in 1968 as *'la rationalisation des choix budgétaires'* (The rationalisation of budgetary choice - RCB). It emerged from a rivalry between the French Finance Ministry and the *Commissariat général du Plan* (General Planning Commission - CGP). The CGP was the centre of post-war French planning set up by Jean Monnet to devise France's five year plans. Planning had always caused frictions within the French state. The Finance Ministry was uncomfortable with the authority given to the CGP to steer economic development and the leverage the CGP possessed over the supply of macroeconomic data (Green, 1980, p. 104; P. Hall, 1986, p. 172). The Finance Ministry adopted RCB as part of an attempt to rationalise the budgetary leverage it held over the economy in order to displace the CGP as a centre of planning (Saint-Martin, 2000, p. 346).

Alongside inter-ministerial battles, RCB was a management tool to empower the hierarchy of the French state in the use of resources. Rouban described how RCB's purpose was to 'equip the top echelons of general and personnel administration with improved means of budgetary control and personnel management' (Rouban, 1989, p. 449). The desire to empower top managers was built from an anxiety that the central state was losing its grip on the expanding costs of welfare. Philippe Huet, director general of the French Finance Ministry, observed in 1970 a 'serious maladjustment, between the growing and manifold needs of a rapidly evolving society and the limited and traditional means and methods of the administrative machine' (Huet, 1970, p. 274). Targeting a perceived self-referential and self-serving bureaucratic apparatus in general, Huet declared that the decision-making rigour and organisational reach of RCB would 'restore these [administrative] institutions to their role as an instrument, and to relate their actions to the ends which they are deemed to pursue' (Huet, 1970, p. 279).

A notable figure in the implementation of RCB was Michel Crozier. Crozier was introduced to US managerialism after spending a year in 1959 at the Palo Alto Centre for Advanced Studies in the Behavioural Sciences. Crozier was deeply influenced by the latest in US organisational sociology from Johan Olsen, James March, Herbert Simon, Philip Selznik and Alvin Gouldner (Muller, 2015, p. 289). Alongside the macroeconomic modelling techniques of the CGP, French planners turned to sociologists in the 1950s to address behavioural aspects of public policy (Hamelin, 2018, p. 53). Crozier was at the core of this, launching the *Centre de*

Sociologie des Organisations (Centre of Organisational Sociology - CSO) in 1961 to apply the methodological and theoretical insights of US decision sciences to the study of French administration (Harguindéguy & Canton, 2009, p. 91). Crozier was later the only academic invited to the committee overseeing the implementation RCB and enjoyed a close working relationship with French planners (Saint-Martin, 1998, p. 346).

PPBS also had an important impact in West Germany. Rather than inter-ministerial rivalries, planning as a national project emerged when the first Social Democratic government of Willy Brandt took office at the end of the 1960s. PPBS here was part of a broader turn to a Keynesian fiscal policy in West Germany that broke with the orthodoxy of the post-war social market economy. In a radio address in January 1967, amidst an economic slowdown that had only a month previously led to the downfall of Chancellor Erhard, new economic and finance minister Karl Schiller declared the government would 'lead the way with powerful economic and financial policies' (Schiller, 1967). The proposed 'Concerted Action' (*Die Konzertierte Aktion*) promised to make full use of budgetary power to re-inflate the economy. This was followed up in June 1967 with the, ironically named in the context of future European developments, the Law for Promoting Stability and Growth in the Economy (Dyson, 2010).

The Law empowered the federal state with unprecedented tools of fiscal management, 'referred to as the "Magna Charta" of modern medium-term management of the economy' in Germany (Hardach, 1980, p. 201). It centralized fiscal powers of a sprawling federal system into a single system of multi-year planning. A reserve fund was created at the Bundesbank for counter-cyclical spending. Economic objectives were broadened from the ordoliberal dictum of stability to include specific targets on unemployment, growth, and trade balance.

It was in this context of West German's adoption of Keynesian macro-fiscal tools of financial planning that the micro-technique of PPBS was experimented with. The centre of the experiment with PPBS was the *Projektgruppe Regierungs- und Verwaltungsreform* (Project Group for Governmental and Administrative Reform, or PRV) (Wollmann, 1984, p. 30). The PRV was appointed already in 1967, but with the election of Brandt it was invigorated as a 'nucleus of modern German public administration and policy analysis' drawing in the earliest wave of German public managers through a series of research contracts (Jann & Jantz, 2013, p. 30). The task of the PRV was to overhaul the German state's planning and decision-making capacities as a way of realizing an ambitious programme of social reform and fiscal planning (Saretzki, 2007,

p. 588). Rejecting the restrictions of ordoliberalism, the group embraced a language of *Planung* (planning) (Jann & Jantz, 2013, p. 31).

The proposals coming from the PRV were for an *aktive Politik* (active policy-making). Prominent in making this case were two members of the PRV who would later be major figures in debates on European governance: Renate Mayntz and Fritz W. Scharpf (Mayntz & Scharpf, 1973). The two protested the ‘lip-service’ that was paid to the ordoliberal social market economy as approaching public policies ‘not first judged by their effectiveness but by the criterion of their “market conformity”’ (Mayntz & Scharpf, 1975, p. 15). In contrast, Scharpf and Mayntz saw in PPBS a form of active policy-making, drawing on ‘macroeconomic theory and American policy science, with their strong rationalistic underpinnings’ (Blum & Schubert, 2013, p. 30). In a manner echoing Huet in France, Mayntz and Scharpf pointed to growing societal problems that meant the state had ‘lost the option of “benign neglect”’ implicit in macro-budgetary techniques of redistributive welfarism and instead needed tools that could improve the ‘problem solving capacities’ of West Germany (Mayntz & Scharpf, 1975, p. 3). In implementing this into the German federal bureaucracy, the PRV’s work was predominantly focused on resolving the state’s perceived ‘knowledge problem’ (Mayntz, 1993, p. 13). The focus of the PRV’s work was therefore on constructing a new information generating apparatus for the German state bureaucracy to guide the decision-making and planning system of PPBS.

2.2 'Ungovernability' and the Crisis of Budgetary Planning

In the end, PPBS collapsed under its own weight of ambition and paperwork. Despite promising at the beginning of the 1960s to revolutionise budgeting as a rational process, Wildavsky highlighted how ‘everywhere PPBS was praise; everywhere it ran into serious difficulties’ (Wildavsky, 1974, p. 182). It was discontinued in the US federal administration at the turn of the 1970s and dropped in other OECD countries at a similar time. There were two major problems PPBS faced. First, the analytical task of setting quantified and costed objectives was too onerous for agency staff trained in their vocation rather than the decision sciences. PPBS required an informational architecture to set objectives and measure outputs that did not exist in the 1960s. Most bureaucracies lacked the data processing machinery and trained analysts that PPBS required. Second, PPBS overlooked how budgeting worked as an ‘incremental’ political process

(Wildavsky, 1975). Once a budget line was set, it was politically very hard to adjust. The result of this was that while PPBS required financial flexibility to reallocate resources according to changing objectives or performance levels, appropriations were less than responsive. At a time of budgetary growth, in the post-war years of expansion, this was less of a problem - a growing pie has more scope to chase new priorities. The onset of fiscal crisis in the 1970s, however, meant budgetary planning slipped as a priority as attention switched to spending less rather than spending better. Nevertheless, while state budgets fell into disarray in the 1970s, planners were just beginning their managerial remaking of public policy by detaching the work of systems analysis from the budgetary process that had constrained it.

Failures of Budgetary Planning

A major problem of PPBS was, as Aaron Wildavsky described, 'no one knows how to do program budgeting' (Wildavsky, 1969, p. 193). Virginia Held commented at the time how 'program budgeting is forcing some agencies to consider, virtually for the first time, just what their objectives are' (Held, 1966, p. 106). This was not as straightforward as it might seem. The demand of PPBS for agencies to set down in precise terms what the objectives of public expenditure were proved impossible. Many agencies had never considered what they were achieving in terms of strategy. In the spirit of Progressive reform, spending on education, forest protection or national security were simply public goods; unquantifiable, but unquestionably worthwhile. As such, asking agencies to set objectives felt arbitrary (West, 2011, p. 22). As Robert Millward described, agencies attempting to implement PPBS struggled with the fact that 'concrete meaningful goals do not always exist, sometimes cannot be articulated, and seldom are agreed upon even within the confines of a specific agency' (Millward, 1968, p. 91).

In large part, this was tied to the kind of quantification PPBS required. Systems analysis itself was not reducible to quantification. Hitch explained that 'economic choice is a way of looking at problems and does not necessarily depend upon the use of analytic aids' (Hitch & McKean, 1960). Nevertheless, PPBS in practice required a vast informational architecture to make it work. While Progressive reforms and scientific management had produced vast amounts of data, the kinds of quantification required for PPBS was considerably different. Less relevant was the scale of inputs or outputs that scientific management used to measure work efficiency. As Schick described, these statistics of scientific management were the 'most used, but least useful' in government (Schick, 1966, p. 255). Instead, the focus on costs and benefits within

systems analysis required a quantification of value. West explains how ‘the effects of many government programs were difficult to quantify. What is the value of a human life or a more scenic environment?’ (West, 2011, p. 22). These were the questions budgetary planning and systems analysis asked. There was, however, a total lack of such an analytical community that could answer these questions in the 1960s.

Alongside the technical challenges of PPBS, it collapsed because it failed to take the budgetary process as it was and, instead, attempted to rationalise it as it imagined it could be. In 1940, V.O. Key had highlighted budgetary theory’s failure to answer a fundamental question: ‘On what basis shall it be decided to allocate x dollars to activity A instead of activity B?’ (Key, 1940). In large part, PPBS had attempted to answer this through the rational technique of systems analysis. For Enthoven, ‘the fundamental idea behind PPBS was decision making based on explicit criteria of the national interest in defence programs, as opposed to decision making by compromise’ (Enthoven & Smith, 2005, p. 33). Wildavsky, however, argued PPBS and Key had missed the point. Budgetary reform could not start from imagining an ideal form of budgeting. It had to start from the existing budgetary system. As such, for Wildavsky, the most pressing question for budgetary reform was to ask ‘*how* is it decided to allocate X funds to activity A and not Activity B’ (Wildavsky, 1974). Wildavsky’s answer revealed to him why PPBS had failed - once set, budget allocations were very hard to move, no matter how rational the decision process was.

For Wildavsky, budgeting was incremental. It was rare for a budget to be rethought entirely, ‘instead, this year’s budget is based on last year’s budget, with special attention given to a narrow range of increases and decreases’ (Wildavsky, 1975, p. 10). This incrementalism was precisely what PPBS had tried to address, forcing government agencies to account for the strategic purposes to which money was spent. The point Wildavsky was making was that such an ambition ignored the political realities of the budgeting process. Budgeting was for Wildavsky a battle between agencies seeking to gain slice of a growing pie. It was a zero sum game where ‘every agency wants more money; the urge to survive and expand is built in’ (Wildavsky, 1975, pp. 12–13). Wildavsky’s approach was more institutionalist than crudely public choice (Wildavsky, 2016). Self-interest for budgetary expansion for Wildavsky was not so much born from an innate drive to expand. It was the product of the budgetary system’s institutional setup geared for expansion in a time of economic growth.

As an incremental process, there were major political and institutional obstacles to the rationalisation of budgeting as PPBS had attempted. Once a budget was set, it was very hard to reallocate it. In the centralised defence department, rational budgeting was relatively straightforward. The defence secretary broadly had the authority and mechanisms to make wholesale appropriation adjustments (Wildavsky, 1969, p. 190). In other sectors, however, the budgetary process was far more diffuse. Millward identified that ‘activities are currently scattered through several government agencies, bureaus, and divisions, not to mention levels of government. To try to rearrange these into a “meaningful” framework will certainly encounter strong institutional resistance’ (Millward, 1968, p. 91).

The political obstacles of PPBS were more than just the government bureaucracy. They extended across society. Schick pointed out that rather than government agency spending driving the growth of the federal budget, as Wildavsky had highlighted, it was the explosion of entitlements and benefits that had driven budgetary growth (Schick, 1983). The rise of welfare in the twentieth century had transformed budgeting. Not only did government fund its own activities, most government expenditure went directly to citizens as welfare. Payments on things like healthcare, disability, or unemployment support were largely immovable and open ended, subject to economic conditions rather than any strategic plans, and often indexed to inflation (Schick, 1983). More than just being immovable institutionally, the growth of entitlements within the budget had transformed the political stakes of budgeting. As more people became party to national budgets, ‘they make it their business to be involved in the process’ (Schick, 1983, p. 12). In attempting to rationalise the budgetary process, PPBS had to not only contend with government departments, but with the voting public too.

In the end, Schick described how the immovability of budgeting could not be made to fit with the dynamism of planning. He wrote that ‘budgeting and planning, moreover, invite disparate perspectives: the one is conservative and negativistic; the other, innovative and expansionist’ (Schick, 1966, p. 256). While budgetary appropriations for entitlements and agency spending would plod onwards as an incremental and protracted process, planning as a strategic and analytically-driven process of decision-making would have to go elsewhere.

‘Rescuing Policy Analysis from PPBS’ and the Consolidation of Public Management

The failure of PPBS did not mean the abandonment of managerial planning. In many ways, it was just its beginning. In response to the crisis of PPBS, an embryonic public

management community began searching for ways to distance themselves from PPBS while consolidating the field of planning. It was no less than budgetary expert Wildavsky that set out a call to ‘rescue policy analysis from PPBS’ (Wildavsky, 1969). This was no simple task. Schick wrote how the analysis of policy alternatives could not be thought of on its own terms, ‘analysis was to be a change agent... analysis was not valued for its own sake or structured to operate independently of the budget process’ (Schick, 1973, p. 146).

But for Wildavsky the value of systems analysis as a technique to rigorously lay out policy alternatives meant the separation from a stifling appropriation system was imperative. Given system analysis’ failed meandering into a budgetary process it did not understand, Wildavsky ‘discovered that PPBS, by failing to meet its own requirements, was giving the analytical enterprise a bad name’ (Wildavsky, 1974, p. 183). For Wildavsky, ‘PPBS discredits policy analysis... [and so] the shotgun wedding between policy analysis and budgeting should be annulled’ ((Wildavsky, 1969, p. 196). The failure to understand the context of the institutional dynamics of the budgeting process had meant that the attempt to rationalise it through systems analysis had fallen short. In making a call to establish a distinctive policy analysis, Wildavsky was arguing that the field should combine the ‘technical training’ of mathematical and economic rigour he valued in analysis with the ‘broader views of the social context of public policy’ that the first generation of systems analysis had neglected (Wildavsky, 1969, p. 199).

Wildavsky’s call to disentangle PPBS from policy analysis corresponded with an explosion of public policy graduate schools and research institutes training a generation of policy analysts. A prominent school was Heinz College of Information Systems and Public Policy at Herbert Simon’s Carnegie-Mellon University. Policy analysts coming out of these schools were trained in many of the techniques that would later drive theorisations of governance - organisational sociology, game-theoretic institutionalism, policy effectiveness, and policy evaluation. Alongside graduate training, new research institutions cast in the image of RAND arose over the 1970s developing an industry of social policy analysis (Jardini, 2000; Knafo, 2020; Light, 2003; J. A. Smith, 1993). In the US, notable institutions included the Institute for Research on Poverty and the Urban Institute. A key problem of PPBS had been that there were too few policy officials trained in the technique of systems analysis. The proliferation of graduate schools and research institutions focused on an economic approach to public policy meant, by the end of the twentieth century, policy analysis was well established in the affairs of government (Radin, 2000).

In Europe too, the failure of PPBS nevertheless set in motion a new field of policy analysis and public management. In France, the centre of this was Michel Crozier's *Centre de Sociologie des Organisations* (CSO). With much research commissioned by the French state, work at the CSO represented a new front of social scientific research in France that investigated the dynamic processes that unfold in the implementation of public policy in game-theoretic terms. Starting with Crozier's own investigation of the postal service (Crozier, 1955), a number of major studies came out of the CSO including Erhard Friedberg and Dominique Desjeux's study of the ministry of industry (Desjeux & Friedberg, 1973), Jean-Claude Thoenig and Friedberg's study of the ministry of public works (Thoenig & Friedberg, 1976), Pierre Grémion's work on local government (Grémion, 1976), and Jean-Pierre Worms' study of the French prefecture system (Worms, 1966). The CSO's major statement of theoretical and methodological intent was Crozier and Friedberg's *The Actor and the System (l'acteur et le système)* (Crozier & Friedberg, 1977). The text 'greatly influenced the emergence of public policy analysis in France' (A. Smith, 1999, p. 116). A major innovation at the time, Crozier and Friedberg 'introduce[d] the notion of the strategic actor' into French sociology and public policy (Fontaine, 1996, p. 491).

Alongside the CSO, another branch of French public policy analysis was the Grenoble *Centre de Recherche sur le Politique, l'Administration et le Territoire* (Centre for the Study of Politics, Administration, and Territory - CERAT). CERAT emerged out of Lucien Nizard's analysis of French planning in the 1970s (Nizard, 1972). The CSO and CERAT were fierce competitors (Hamelin, 2018, p. 54; A. Smith, 1999, p. 118). Emerging from the conflict between the two centres in the 1980s was a third group, launched by former CSO scholar Jean-Claude Thoenig. Thoenig's *Groupe d'analyse des politiques publiques* (Public Policy Analysis Group GAPP) opened in 1983/1984 and thrust the relatively niche organisational sociology of the CSO into the mainstream of French political science (Smith, 1999, p. 119). Thoenig's contribution was to cement policy analysis as a distinct and respectable field of French social sciences that was more familiar to the US-centred transnational public management community. Thoenig and Yves Mény's 1989 public policy textbook was for many years the only available in French (Mény & Thoenig, 1989), contributing to Thoenig and the GAPP's dominant position in defining French policy analysis (Muller, 2015, p. 291).

In Germany, the policy sciences came out of the PRV. Fritz W. Scharpf was a notable figure in this. Akin to legalistic German public administration, Scharpf originally trained as a lawyer. After postgraduate education and briefly teaching law in the US, Scharpf shifted towards

the policy sciences. Returning to Germany, he initially served as professor of political science at Konstanz University. Formed as part of a wave of ‘reform’ universities in the late 1960s, Konstanz offered a specific public policy programme that was directly modelled on similar US curriculums (Saretzki, 2007, p. 594; Wollmann, 1984, p. 37). Scharpf later moved across the two institutions most significant to ‘a German view on policy analysis’ (Blum & Schubert, 2013, p. 2). 1973-1984, he was director at the *Wissenschaftszentrum Berlin für Sozialforschung* (WZB Berlin Social Science Centre). The WZB was established in Berlin in 1969 as think tank modelled on the US Brookings Institute (Thunert, 2006, p. 190). Described as ‘one of the most influential think tanks in Germany’, the WZB undertakes policy research on a range of social, economic and environmental issues (Jochem, 2013, p. 237). From the beginning, systems thinking figured prominently within its work. The prominent cybernetician Karl W. Deutsch, for example, was previously director. After the WZB, Scharpf helped establish the *Max-Planck-Institut für Gesellschaftsforschung* (MPIfG, Institute for the Study of Societies). The MPIfG was established in 1985 under the directorship of Renate Mayntz (until 1986) and then Fritz W. Scharpf (1986-2003). Mayntz had similarly been a prominent figure in the PRV (from where West Germany trialled PPBS).

From these institutions, policy sciences in Germany was incubated through a series of public research contracts in the mid-1970s investigating the implementation of federal public policy (Wollmann, 1984, p. 33). Mayntz undertook a major study on environmental policies (Mayntz, 1978), while Franz-Xaver Kaufmann did a similar project evaluating social policy (Kaufmann, 1979). Kaufmann was also responsible for a major international project on systems analysis at another reform university at Bielefeld (Kaufmann & Majone, 1986). Bielefeld was also home to the systems theorist Niklas Luhmann. The culminating major statement of policy analysis in West Germany was the widely adopted methodology of ‘actor centred institutionalism’, which adopted a game-theoretic approach to policy making (Scharpf, 1994).

Fiscal Overload, ‘Ungovernability’ and Public Managers Against Bureaucracy

While public managers over the 1970s and 1980s were consolidating themselves as a set of social forces in graduate schools, research institutes, and think tanks, government reform was entering a ‘neoliberal’ age. The failure of PPBS coincided with the long downturn from the 1970s. Balance of trade crises, stagnant revenues, tax revolts, and ballooning welfare expenditure put a severe squeeze on national and local budgets. As a result, the 1970s saw the emergence of

a concern with government's 'fiscal overload' as the state appeared to be spending beyond its means (King, 1975). Alongside these fiscal concerns, the rise of the counter-cultural movement, the civil rights movement, and other revolutionary movements provoked a moral panic over the growing 'ungovernability' of society.

Birch (1984) identifies three trends to the ungovernability thesis that emerged in the 1970s: in the US, neo-conservatives like Daniel Bell, Samuel Huntington, and Daniel Moynihan were turning against their backgrounds in liberal reform to diagnose a perceived crisis of family values and personal responsibility with the growth of welfare (Cooper, 2017). Neo-liberal economists like Samuel Brittan, Peter Jay, or Milton Friedman pitched the crisis of governance in terms of the inflationary tendencies of mass democracy (Mirowski & Plehwe, 2009). Finally, neo-Marxist scholars like Claus Offe and Jurgen Habermas began to speak of the inability of capitalism to sustain the welfare provision upon which the state's legitimacy had come to depend.

The idea of ungovernability in the 1970s built on a belief that the demands of mass democracy had placed an unbearable welfare burden upon the state. As people had become dependent upon the state, old bonds of familial and community responsibility were seen as being eroded. Moreover, the rise of welfare and diffuse budgetary arrangements had eroded the political authority and independence of the state. Welfare provision was seen to have eroded the government's central authority as power spilled into the hands of professional teachers, doctors, social workers, or trade unions.

Here, I suggest an additional voice in the chorus of ungovernability was a new social forces of public management. Frustrated by their efforts to remake the state through budgetary planning, public managers participated in discussions of ungovernability to lambast stale bureaucracies that resisted the interventions of rational planning. This increasingly institutionalised public managers community in the 1980s shared with neo-conservatives and neoliberals a perceived crisis of bureaucracy. Their response, however, was different. Whereas neoliberals preached markets, public management turned to a distinct discourse of 'governance'.

In an early text invoking 'governance', Wittrock argued that 'the effectiveness of traditional policy instruments of the welfare state seem to be declining' (Wittrock, 1983, p. 196). Wittrock presented 'governance in crisis' as a dual crisis of the effectiveness of its public policy instruments and the legitimacy of representational democracy upon which the state was built. He diagnosed a state 'unable to cope with the widening set of problems with which the system is confronted and which its citizens expect it to master' (Wittrock, 1983, p. 197).

This sentiment was mirrored among other European public managers. In France, the sociologist Crozier was most widely known to an international audience as a co-author of the Trilateral Commission tract *The Crisis of Democracy* (Crozier et al., 1975). The book was a major neo-conservative statement penned with Samuel J. Huntington and Joji Watanuki in the 1970s about the overburdening of the state by welfare demands. Crozier's chapter built on his first major text, *The Bureaucratic Phenomenon* (Crozier, 2010). The widely read text offered a strong critique of the inadequacies of an alienating French bureaucracy, criticised for its insularity, single-mindedness and inflexibility. Throughout his work, Crozier had 'expressed the loss of confidence in the ability of the state to solve economic and social problems' (Hamelin, 2018, p. 53). His *Crisis of Democracy* chapter blamed majoritarian democracy, arguing that it was showing an 'incapacity to answer the challenges of modern times' (Crozier et al., 1975, p. 11). Following the logic of administrative overload, Crozier observed that the majoritarian democratic state was suffering a crisis of effectiveness. Whereas it was 'traditionally believed that the power of the state depended on the number of decisions it could take', Crozier argued that 'the more decisions the modern state has to handle, the more helpless it becomes' (Crozier et al., 1975, p. 22).

In West Germany, Scharpf and Mayntz were similarly observing what they saw as a crisis of state effectiveness (Mayntz & Scharpf, 1973). In a text reflecting on the German federal bureaucracy after the PRV reforms, they wrote that 'the capacity of political systems in post-industrial, Western societies to cope with an increasing problem load has become doubtful... we seem to be falling behind, rather than catching up with our most urgent problems. And the gap seems to widen the faster we run' (Mayntz & Scharpf, 1975, p. 1). Similarly, Scharpf later wrote that the postwar bureaucratic welfare state 'may have reached the end of its vitality... [facing a] a failure of effectiveness in the management of the economy, the failure of efficiency in the management of the social service sector, and the failure of responsiveness to differentiated, qualitative demands in the performance of all government functions' (Scharpf, 1977, p. 343). Mayntz agreed. She argued that 'with the permanent increase of tasks assigned to public bureaucracies and with the increasing political emphasis on the achievement of defined system goals, the charges of inefficiency and ineffectiveness of the public sector have gained weight and turned attention to the structural, procedural and personal conditions of its performance' (Mayntz, 1979, p. 634).

Public managers in the 1970s/1980s had agreed with neo-conservatives and neoliberals that the state had a problem. They saw a state with too many tasks, dwindling resources, and a

loss of independent political authority. This problem had been what budgetary planning had originally attempted to resolve. Perceiving the appropriation cycle as an aimless fight for resources without rationalised purpose, PPBS had attempted to submit the allocation of resources to rational planning. For public managers, then, the solution to the crisis of state effectiveness was not resolvable through the restoration of family values or expansion of market mechanisms. Instead, the crisis required an overhaul of the infrastructure of public policy – and the technique of systems/policy analysis with it.

2.3 The 'Governance' Turn to Public Management

The Institutional Turn to Policy Analysis

In reacting to the failures of budgetary planning, European public managers began arguing that an institutionalist, rather than rational, form of policy analysis was required. This perspective was borne out of their experience attempting to reform the post-war redistributive state. PPBS had begun from a premise that decision-making could be rationalised through the budgetary process. Systems analysis was meant to be a technique that could rationally determine how resources could be allocated effectively. This attempt ran up against the political reality that even the most perfectly designed budgetary programme quickly falls apart once it enters the dense inter-organisational morass of bureaucracy and contends with the political challenges of moving public resources from one group to another. If public managers were going to reform a bureaucracy they saw as immovable, their analytical tools would likewise have to be adapted. Less important was devising perfectly rational plans that PPBS had attempted. More important was the organisational means through which plans could be achieved.

For public managers, post-war planning had been in many ways an arrogant pursuit of omniscient government. A notable voice in making this case was Giandomenico Majone. Majone came to have a significant influence in shaping the governance paradigm through his work on 'regulatory governance' in the EU (Majone, 1994). Prior to this, Majone spent many years at the International Institute for Applied Systems Analysis (IIASA), a Cold War laboratory of East-West cooperation developing systems analysis (Rindzevičiūtė, 2016). Majone is thus a major representative of a broader European public management community that fed systems analysis into the governance paradigm.

Majone criticised the pitfalls of rational decision-making in ‘assuming the presence of a benevolent dictator’ that could perfectly execute acts of choice in a vacuum of institutions (Majone, 1975, p. 262). Elsewhere, Majone pointed to the deficiencies of a policy analysis that limited its focus solely to decision-making, arguing that ‘the concentration of traditional policy analysis on a mythical hero called the policymaker completely obscures the complexity of the process of policy formulation and implementation’ (Majone, 1986, p. 67). Scharpf similarly criticised rational policy analysis as equivalent to ‘the “great-man” approach to historiography’ – providing broad brush techniques with little practical bearing on the ground (Hanf & Scharpf, 1978, p. 347).

While sharing in a seemingly Hayekian criticism of the planner’s knowledge capacity, public managers did not turn to the information processing power of the market. Instead, the failures of the implementation of PPBS led to a rethinking of policy analysis in terms of the organisational conditions that could translate choice into action. Scharpf critiqued the ‘instrumental logic of goals and means which underlies all policy analysis’ as ‘totally at odds with the inherent pluralism of intergovernmental decision-making’ (Hanf & Scharpf, 1978, p. 346). What was needed instead was a form of policy analysis that could consider the organisational determinants of decision-making. In Majone’s words, this meant ‘policy analysis without institutional analysis is empty; institutional analysis without policy analysis is blind’ (Majone, 1986, p. 70).

In both France and Germany, the concern with the organisational aspects of public management led to an interest in developing new policy analysis methodologies sensitive to institutions. In France at the CSO, Friedberg and Crozier’s seminal methodological work disaggregated the state bureaucracy to interrogate the implementation of public policy as a dynamic game-theoretic process of strategic interaction and negotiation between policy actors under conditions of uncertainty. Friedberg and Crozier’s work pushed beyond the sectoral interests of French corporatism, or the legalistic institutionalism of political science, and into policy fields reminiscent of the systems-based approach of the US policy sciences (e.g. urban policy, environmental policy, etc.) (Fontaine, 1996, p. 489). Through concepts such as ‘crossed regulation’ (*régulation croisée*), French policy analysis looked at the complex organisational interactions that made up policy implementation in game-theoretic terms (Crozier & Thoenig, 1975).

A ‘cognitive’ approach to policy analysis led by Nizard had a significant influence on the flavour of French policy analysis. In contrast to the work of the CSO, the Nizard-led CERAT drew more heavily on the structural Marxism of French political science in the 1970s. Combining an analysis of state-society relations inspired by structural Marxism and the methodological innovations of the CSO, Muller describes the work of the CERAT as a ‘cognitive public policy analysis’ (Muller, 2015, p. 289). Nizard studied French planning of the CGP as a process diffusing shared cultural visions across society, beyond simply being an economic tool of industrial development (Nizard, 1972). Building on this, Pierre Muller and Bruno Jobert’s *L’État en action* introduced a kind of political public policy analysis that studied the implementation of policy as a process of social mediation organised around a collective ‘*référentiel*’, or the shared norms and values said to govern a particular policy area (Jobert & Muller, 1987). This trajectory of French policy analysis fed into the rise of an ideas-based institutionalism of Frank Fischer (F. Fischer & Forester, 1993), Peter A. Hall (P. A. Hall, 1993), or Vivian Schmidt (Schmidt, 2011) that remains central to public policy studies today.

In West Germany too there was a concern that policy analysis should uncover the inter-organisational requirements for policy-making and delivery (Jann & Jantz, 2013, p. 32; Saretzki, 2007, p. 589; Wollmann, 1984, p. 30). Scharpf and Mayntz spearheaded this. Unlike the French emphasis on the role of norms and ideas, a German perspective on organisational policy-analysis placed much more emphasis on questions of institutional design and the game-theoretic interaction of rational policy actors. An early statement of this was Scharpf and Hanf’s (1978) book on interorganisational policy-making. The two shared with Crozier an interest in an actor-centred, game-theoretic methodology that explored organisational dynamics as a process of strategic interaction. For Scharpf, this meant developing how ‘a better understanding of the internal structures, processes, and selectivities of the public sector may become a crucial precondition of successful problem-solving strategies’ of the state (Scharpf, 1977, p. 346). Undertaking this institutionalist policy analysis, Mayntz and Scharpf developed a research agenda that addressed how different models of policy formulation, ‘decision-styles’, or implementation patterns impacted policy outcomes (Mayntz, 1980, 1983; Scharpf, 1989).

The Rise of Governance Within and Beyond Budgeting

By the 1980s, public management and policy analysis had become a well organised force of political studies and government reform. Increasing numbers of policy analysts were

graduating a growing number of specialist graduate schools of public policy. Other universities were adapting curriculums to reflect the rise a 'policy' orientation to political science that emphasised inputs and outputs, policy effectiveness, and the use of new economic techniques to study public policy. A vast and proliferating number of research institutes and think tanks were staking a claim within a policy-making process that increasingly began to speak the language of economics and cost-benefit analysis.

It was this growing social power of public management, and their institutionalist forms of policy analysis, through which the governance paradigm should be understood. Public management's growing influence had effects across policy-making. This included continuing to remake the budgeting system itself. Schick notes a turn to 'budgeting for results' in the 1980s/1990s wrapped up with the NPM (Schick, 1990). Budgeting for results involved a remaking of programme budgeting from the 1960s/1970s. As Schick described, the 'concept is simple - objectives, results, and resources should all be linked' (Schick, 1990). The idea of output budgeting, programme budgeting, or linking budgeting with performance experienced a renaissance in the 1990s across the OECD, corresponding to the rise of the governance paradigm.

In France, the 2001 *'la loi organique relative aux lois de finances'* (the fundamental law relating to public finance - LOLF) constitutionally enshrined the use of programme budgeting across the public sector (Ongaro, 2009). In Belgium, the Copernicus reform from 1999 implemented a new budgeting system focused on broadening managerial autonomy while constraining fiscal expansion. In the Netherlands, performance budgeting was resurrected from experiments of the 1970s, becoming legally mandated in 2001 with national budgets focused on outcomes, objectives, and performance measures (Pollitt & Bouckaert, 2011, p. 313). In Britain, the 1982 Financial Management Initiative (FMI) involved establishing multiple cost centres, fragmenting the budgetary management process, to then hold budget holders accountable for their results (Schick, 1990). Finally, in Germany under the label of the 'New Steering Model', and developed by the organisation *Kommunale Gemeinschaftsstelle für Verwaltungsmanagement* (Municipal Association for Administration Rationalisation, KGSt), new budgeting practices were intended to establish greater managerial control over local governance - where many policy programmes are administered in the federal German system (Klages & Löffler, 1998, p. 48). Managerial autonomy was to be increased, responsibility delegated downwards, 'performance

agreements' were to replace fixed procedures, and an 'output- and customer-orientation' was introduced.

In contrast to PPBS, these reforms as 'budgeting by results' no longer involved asking agencies to submit systems analysis-driven budgetary plans of strategic objectives and alternative costing arrangements. Instead, central authorities set objectives and demanded lower levels of the bureaucracy to work out how to achieve them within tight budgetary margins. As Schick described, this meant 'to mould the budget into a "contract for performance"'. In exchange for obtaining agreed-to resources, managers would be expected to achieve specified targets (Schick, 1990). The lesson of PPBS had been that asking state agencies to design their own budgetary plans was met with resistance, incredulity, or neglect. In contrast, budgeting for results compelled agencies to develop a managerial function. Schick described how 'letting managers manage, past experience has taught, does not mean that they will. The current emphasis is on making them manage by nailing -down the performance levels to which they will be held.' (Schick, 1990, p. 33).

As the repurposing of public expenditure attempted with PPBS proved impossible, budgeting for results offered a financial mechanism through which to manage policy-making as the more diffuse and flexible process of inter-organisational governance outside bureaucratic hierarchies. It is in this framing that the rise of contractualism in the governance paradigm through public-private-partnerships (PPP), privative-finance-initiatives (PFI), or payment-by-results (PBR) can be understood. Rather than having to repurpose entrenched state bureaucracies or welfare programmes that proved immovable by rational analysis, budgeting for results allowed the state to step outside of existing frameworks. By reorienting the purpose of government as achieving defined strategic objectives, it no longer mattered what the organisational vehicle was that delivered policy. Indeed, the purpose of institutional policy analysis became analysing the most economical organisational means through which to deliver on policy objectives, and to design the contractual terms (in the form of operational parameters, key performance indicators and evaluation techniques) through which to best guarantee policy success. Schick summarised this shift in budgeting how 'unlike past innovations, which strove to optimize programs, contemporary developments seek to improve organizations' (Schick, 1990).

Governance as Planning Remade

This emphasis on organisations spoke to how public management was remaking public policy beyond the appropriations system where it had first arisen as PPBS. In particular, the rise of ‘networks’ as a major trope of the governance turn reflected how public management sought to extend its reach both across the public sector and beyond. Failing to push the state to act more strategically as a consequence of an entrenched bureaucracy and immovable budgetary appropriations, the turn to networks built on a reassessment of the organisational means to achieve state policy objectives. Put in the game-theoretic terms of inter-organisational strategic interaction, policy analysis became about the diffuse and ‘networked’ means through which the state could get things done. The state’s intervention was thus no longer confined to its budgetary means. It was tied to the organisational design of its policy delivery. Such a radical shift opened the door to massively extend state intervention, no longer through its budget, nor the rigour of its policy analysis, but through its involvement in managing policy networks through the social forces of public management

As a form of rule, this emphasis placed on inter-organisational networks was vastly different from neo/ordoliberal maxims of constitutional order and stability. Drawn from the managerial lineage of OR and systems analysis, the emphasis of governance was not on rules and fixity, but flexibility and cybernetic responsiveness. Far from the state being constrained to upholding a stable constitutional market framework, the ‘learning’ or ‘problem-solving’ approach to governance argued that such inflexibility was untenable given the deep uncertainties of policymaking in a continuously changing world. As a consequence, governance implied far greater activism on the part of political institutions for continuous, discretionary interventions driven by strategy and information processing.

For neoliberalism, the logic of public management would be calamitous and illegitimate, reflecting Hayekian follies of planning. The ordoliberal Franz Böhm argued that societal complexity required institutional stability and the expert’s hand to deal with order:

‘the more dynamic economic life becomes, the more stable must its order be. A comparison can be made with a machine: the more complex a machine is, and the more intricately-interdependent the movement of its separate parts, the more precise must its construction be.’ (F. Böhm, 2017, p. 116)

But this was not the mechanical age. It was the computing age. As a result, public managers had a totally different understanding of governance. British public manager Les Metcalfe argued that ‘effectiveness requires a repertoire of management strategies and capacities

that match the complexity of the tasks being undertaken' (Metcalf, 1996a, p. 424). Social and economic life was complex and unknowable. To that extent, Metcalfe and other public managers agreed with Hayek. But, drawing on second order cybernetics, such complexity was not a call for restraint and stability. It was a call for discretion and responsiveness. Public management could not be held back by fixed principles. It needed regulatory complexity that could match societal complexity.

This was a point made across the spectrum of public management. Crozier argued that the state was 'too rigid to adjust without crisis to the transformations that the accelerated evolution of industrial society makes more and more imperative' (Crozier, 2010, p. 198). Instead, he argued that the future of the state could not lie with standardized responses but had to develop more flexible and iterative forms of intervention (Crozier, 1985, p. 23). As Gerry Stoker put it, progenitor of British 'local governance' in the 1990s, governance was explicitly remaking planning. For Stoker, 'governance therefore represents a response to the challenge posed by a society that is prone to rapid change and characterized by complexity and diversity' (Brindley et al., 2005, p. 151). Drawing on cybernetics, Gerry Stoker, together with Tim Brindley and Yvonne Rydin, argued that a 'complex, diverse and dynamic social-political world requires forms of governing which are themselves dynamic, complex and diverse' (Brindley et al., 2005, p. 151).

Governance was, then, the remaking of budgetary planning outside the parameters of the incumbent welfare state. In contrast to theories of governance that place it as either a reaction to, or rationality of, neoliberal austerity, this perspective argues placing governance within a lineage of public management and the remaking of budgetary planning from the 1960s. The governance paradigm preserved an emphasis on defining strategic objectives. Gone from PPBS was the attempt to link planning directly to the appropriation process. Instead, achieving objectives would be placed outside of the institutions of the state that proved impossible to bend. Through contracts of performance, political objectives would instead be met by a diverse range of organisational means through networks and contracts.

Making this shift in theorising the governance paradigm puts in perspective its politics. The governance paradigm should be understood through this argument not in terms of how it makes the state more business-like or technocratic; nor how it was a reified shift from bureaucracy or markets to networks. Instead, the governance paradigm must be read as the institutionalisation of the social power of public management within the state. This is not the same as corporate power or 'business-like' methods. Rather, it refers to the historical lineage of

‘managerial governance’ drawn from the revolution of the social sciences, business, and public administration under the influence of, first, OR and, later, systems analysis. Having briefly attempted to enter the state in the 1960s through PPBS, the governance paradigm reflected the remaking of the state in the image of the policy sciences and the insertion of the public manager at the core of the activities of the state. This meant an emphasis on problem-definition and systems, not on department or policy function; an emphasis on strategy not rules; performance effectiveness not cost efficiency; policy evaluation, not legislative accountability or judicial review; and information processing not procedure setting. Governance has, then, been the managerialisation of the state.

2.4 Governance's Supranational Appeal

The historicization of the governance paradigm in this chapter has so far been a national story. It has looked at the rise and fall and rise of budgetary planning in the US, France, and Germany. Crucially for this thesis, governance was also a story of IOs. A concept and agenda of governance captured the mood of IOs in the 1990s and 2000s. In the wake of failed structural adjustment policies, the World Bank’s ‘good governance’ agenda attached development assistance less to the policies pursued but to the political institutions of recipient states (World Bank, 1989). The OECD’s 1995 *Governance in Transition* report embraced the language of governance to categorise a revolution in the nature of public policy in OECD countries (OECD, 1995). This built on the earlier establishment of the public management ‘PUMA’ committee at the OECD in the 1980s (Pal, 2012). Perhaps the most enthusiastic adopter of the language of governance among IOs was the EU. The 2001 *White Paper on Governance* pitched a new means of governing the union through participatory consultations, intergovernmental benchmarking, and new executive regulatory agencies.

As IOs embraced the governance paradigm, scholars began pointing in the 1990s and 2000s to the growing political weight IOs held in the global political economy. Michael Barnett and Martha Finnemore made this point most forcefully, arguing that IOs matter in the world because ‘at the most basic level, IOs are bureaucracies, and bureaucracy is the embodiment of rational-legal authority’ (Barnett & Finnemore, 2004). IOs were important from this perspective as supranational Weberian bureaucracies exercising power by ‘regulating and constituting the

world' (Barnett & Finnemore, 2004). Numbers and managerial techniques like benchmarking have been a key part of the growing attention and analytical weight given to IOs. (Clegg, 2010; Cooley & Snyder, 2015; H. K. Hansen & Mühlen-Schulte, 2012; H. K. Hansen & Porter, 2012; Mügge, 2016). Numbers and managerialism have been seen in the IO literature as key sources of supranational authority in the age of governance not in terms of how they forced states to do things against their will, but in framing the ways the world was imagined and what problems or actions were conceivable in the first place.

To this extent, Seabrooke and Broome see IOs as possessing a 'cognitive authority' that allows them to 'governance at a distance' (Broome & Quirk, 2015). This governance at a distance has been understood as a form of power through 'orchestration' (Abbott et al., 2015). IOs have wielded power not through strong institutions for themselves, but through orchestrating the activities of others akin to a process of management. Seabrooke and Broome therefore ask us to 'see like an IO' in terms of how their 'analytic institutions' do not use 'formal levers of material influence and norm enforcement mechanisms', but rather how IOs' analytical construction of the world has significant effects on the nature of global governance (Broome & Quirk, 2015). Ben Clift offers a typical example of work in this tradition, exploring the ideational power of the IMF as a technocratic agent in its dealings with states since the financial crisis (Clift, 2018).

The fact that IOs exploded in number and status in the 1990s was a remarkable transformation. For a long time, and for good reason, IOs were largely treated as peripheral to the study of international politics. In the neo-realist/neo-liberal debate that framed international relations in the twentieth century, IOs were given a marginal significance. When questions of global ordering arose, IOs were not understood as organisations with their own instrumentality. Instead, IOs were more ephemeral 'institutions' that neorealists and neoliberals similarly understood as sets of rules and norms that pattern state behaviour in some way. John J. Mearsheimer represented a typical neo-realist take on IOs as institutions to argue they 'matter only on the margins' (Mearsheimer, 1994). For Mearsheimer, IOs were a condensation of the material balance of sovereign state power and were therefore 'merely an intervening variable' in the affairs of global politics.

Neoliberals like Robert Owen Keohane responded to this neorealist dismissal by arguing that institutions mattered to global affairs in economic terms as a response to 'market failures' or collective action problems (Keohane, 2002). And yet, neoliberal international relations gave little independent effect to IOs. They were instead more prone to talk in terms of

Krasner's 'international regimes', made up of webs of rules and norms, rather than purposeful and autonomous IOs (Krasner, 1983). For the most part, IOs had no actorness but were understood in traditional IR terms of the international politics exercised through them. Ngaire Woods looked at the IMF and the World Bank in terms of the effects of US dominance (Woods, 2014). Randall W. Stone likewise looked at the IMF, WTO, and EU in terms of their institutional design grounded in the balance of state power (Stone, 2011).

IOs have, then, often been minimised as actors of world politics. There were good reasons for such perspectives. IOs face a fundamental dilemma that they are dependent on national states. National governments make up the boards of IOs, exercising close supervision and setting the remit over their activities. States therefore exert a hierarchical pressure on IOs, constraining their autonomy. A key part of this is that IOs for the most part lack an independent means to raise finance sufficient to conduct their business. IOs are reliant on the conditional subscriptions of national governments to finance their activities. In addition to lacking an autonomous financial means to govern, IOs lack the coercive means. National governments rely on an administrative and coercive infrastructure to implement and enforce public policy. In contrast, IOs suffer from an exteriority to policy delivery infrastructures. They rely on the goodwill and support of national governments to turn international decisions into action.

The fact that IOs suffer these constraints makes it all the more remarkable that since the 1990s they have been theorised as having such a formidable presence in policy-making. Indeed, the need for such a perspective in the 1990s was pressing. It was expected at the end of the Cold War in the 1990s that many of the IOs like the EU that had been built to supervise US hegemony in the West would prove obsolete and wither away as the balance of state power shifted. Instead, IOs seemed to find themselves new purpose and became increasingly visible in world politics. Indeed, it was the rise of supranational authority in this period that in part provoked the concept of governance as public authority was decentred. Neo-realist Joseph Grieco, for example, was baffled by the willingness of states in Europe to move towards the EMU and hamstringing their monetary autonomy, given the perceived marginality of international institutions and realist assumptions of state self-interest (Grieco, 1995).

While the work of Barnett and Finnemore opened a theoretical perspective on the autonomy and authority of IOs as bureaucracies, scholars still had to reckon with the fact that IOs faced financial and administrative constraints to their activities. It was in this context that scholars emphasised the 'cognitive authority' of IOs drawing on Weberian bureaucracy. IOs may

lack a material and legal capacity to govern, but scholars remarked at their ability to set the terms of policy-making through expertise, standardisation, and agenda-setting (Broome, 2014). A crucial part of this observation was that IOs used a range of managerial techniques like indicators, benchmarks, or quantitative targets to stake a claim within policy-making. The highly illuminating literature on IOs as cognitive authorities has revealed how, by representing particular policy agendas as neutral scientific expertise, IOs have used a range of quantifying managerial policy instruments to become powerful merchants of ideas (Clift, 2018; Littoz-Monnet, 2017).

While noting the power of IOs since the 1990s, the specific managerial character this has taken often lacks a history.¹⁰ While scholars have developed elaborate typologies and hypothesis of the power numbers hold in global governance, we have lacked perspective on the history of the managerial techniques IOs use. Indeed, by drawing on Weberian bureaucracy we get a misleading perspective on IOs that reduces their policy techniques to the generic and timeless power of expertise. In fact, as the chapter has shown, the managerial techniques IOs have developed build in many ways on a public management perspective to statecraft that was explicitly built from the rejection of the rules and procedure of Weberian bureaucracy. A history of supranational managerialism is therefore pressing to make sense of the cognitive authority of IOs today.

To make this point, I argue that rise of supranational authority under the governance paradigm in the 1990s was in part a consequence of IOs drawing on the social forces and format of public management. The governance paradigm more broadly referred to how public management pursued planning outside of the constraints of the appropriation cycle. Policy-making would be rethought in terms of strategy and performance, but particular objectives were no longer necessarily attached to budgetary commitments. This orientation to policy-making was highly appealing to deal with the constraints IOs faced. While at a national level, public managers were frustrated by the immovability of appropriations and thus attempted to re-pitch their techniques at a more abstracted level, IOs faced the challenge that they never had sufficient financial or administrative resources in the first place. The format of public management under the banner of governance thus gave IOs a range of techniques, wielded by a new class of public managers, through which to intervene in domestic policy making without financial commitments

¹⁰ While there are numerous specialist histories of individual IOs (Boughton, 2004; Kapur et al., 2011; Schmelzer, 2016), these histories are rarely used to theoretically rethink the rise of supranational authority in the 1990s and the role of new managerial practices in this process.

or requiring enforcement. IOs could thus leverage their limited resources to gain a stake in policy-making not through legal authority or financing, but through managerial techniques of benchmarking, policy evaluation, or strategy setting.

Conclusion

The 1990s brought with it an observation that the centralised, hierarchical authority of national government was giving way to decentred and horizontal governance. The governance paradigm has typically been placed in relation to neoliberalism. Governance is registered as either reflecting a Third Way attempt to remake public institutions that had been broken apart by the neoliberal NPM - turning privatisations into partnerships. Or, governance is seen as a continuation of the neoliberal project, reimagining the state along the lines of the firm. We tend to use the fact that the observed shift to governance followed neoliberal austerity to say that it must somehow be conceptually implicated with austerity and neoliberalism.

I have argued instead that the rise of the governance paradigm should be placed in a more longstanding dilemma of government over the political control of public finance. As public expenditure grew through the expansion of welfare in the twentieth century, there was a growing governmental concern with the purposes of spending. A growing feeling that government was losing its grip on public expenditure was expressed in the 1970s as a crisis of fiscal overload and societal ungovernability.

I showed in the chapter how budgetary planning had attempted to remake the appropriation cycle through the technique of systems analysis. The purpose of this was to align public spending with rationally set priorities. What experiments in budgetary planning revealed, however, was that public finance was not as malleable to a managerial template as had been hoped. Budgeting was a political process, and therefore not easily responsive to the rational techniques of systems analysis. The governance paradigm reflected the attempts of public managers to reapply the techniques of budgetary planning, but outside of the appropriation cycle. Public managers asserted a strategic orientation to policy-making and helped build and run an informational architecture to monitor policy performance, but the pursuit of objectives would no longer be tied to public finance.

Highlighting how the governance turn was built from a legacy of public management and planning, rather than neoliberalism and austerity, has two important consequences. First,

it brings into focus the forms of social power the governance turn set in motion. Namely, the diffusion of public management across the state. In the 1960s, efforts at a managerial approach to public policy through budgetary planning were frustrated by a combination of political resistance and a limited informational infrastructure. By the 1990s, a large community of public managers existed capable of wielding techniques of evaluation, cost-benefit analysis, and benchmarking to recreate public policy along managerial lines. Second, it reveals the distinctive form of rule public management represented compared to neoliberalism. Whereas neoliberalism preached order and markets, public management reformatted the nature of public policy along the lines of information-led strategic decision-making. The vast increase of information processing that governance brought with it was not to act as market-proxies. It was to feed the decision-making machine of public management that was sweeping state institutions.

This chapter has provided a new theoretical framing of the governance turn as a managerial reformatting of policy-making that responded to a governmental dilemma over the political purpose of public finance. The chapter has provided an alternative way to look at governance as planning that subsequent chapters will analyse in relation to the EU. Indeed, as this chapter discussed, the managerial reformatting of policy-making proved highly attractive to IOs. In the next four chapters, I will demonstrate how in the turn to governance in the EU, the techniques of public management were integral to deal with the troubled construction of supranational authority in Europe. In the next chapter, I unravel the challenges of supranational authority that integration posed in the 1990s that corresponded to the national problems of public finance described in this chapter. Later chapters will then show how public management offered a response.

PART II - Governance and Dilemmas of Supranational Authority in Europe

Chapter 3: How to Govern a Continent?

Introduction

“But integration is not an automatic process. It must be deliberately managed; and effective management is becoming more important, not less” (Metcalfé, 1992)

As the previous chapter established, the rise of a governance paradigm spoke to how IOs were mobilising managerial techniques drawn from a history of budgetary planning to gain a stake in national policy-making. By reformatting the work of international policy-making along managerial lines, IOs could position themselves as comparative policy evaluators, benchmarkers of performance, or centres of strategy. In this way, new managerial techniques coming out of budgetary planning offered a solution to a longstanding dilemma of supranational authority – IO’s dependence and exteriority to nation-states. Few IOs possess an independent means to raise and administer their own resources sufficient to match the scope of their policy obligations. In addition, IOs lack the infrastructural power to enforce their desires. Instead, compliance with international agreements relies on the agreement and coercive infrastructures of national states.

The EU is an exemplary case of an IO facing this dilemma. When the Treaty of Paris was signed in 1951, creating the European Coal and Steel Community (ECSC), the ambition of many of its federalist architects like Jean Monnet was for a United States of Europe. Instead, national government opposition meant European integration spent much of the twentieth century as a patchwork of overlapping IOs like the European Economic Community, Western European Union, Council of Europe, or European Atomic Agency covering security, economic, or technological cooperation at different levels of intensity. The 1990s brought something different. The creation of the EU in 1992 at Maastricht set in motion an integration project that consolidated many earlier efforts and represented a major shift in sovereign authority to supranational institutions.

The Union has many resemblances of a state. It has a judicial and legislative system, which gradually gained in political status through a combination of the ECJ’s judicial activism and the introduction of European elections in 1979. Since the end of the millennium the Union

has a single currency and market, with free movement of goods, people, and capital. The Union is involved in an increasing number of policy issues like competition and market regulation, external trade, and monetary affairs. In addition, it has responsibility to coordinate the macroeconomic, social, and welfare arrangements of heterogeneous member states.

Unlike a state though, the Union has little of the fiscal clout familiar to national governments. The EU has little capacity to raise its own finance, and the financial resources it does possess are meagre compared to the fiscal responsibilities expected of a monetary union. To this extent, the EU faces a dilemma familiar to many other IOs. For much critical literature on the EU, this fact is explained as an outcome of the triumph of a neoliberal project of market-led integration that internationally constitutionalised markets (van Apeldoorn, 2003; Warloutzet, 2018). Rather than building a supranational fiscal capacity, in this framing, the EU uses international rules to constitutionalise austerity. And yet, these neoliberal rules have never worked as intended. The limited legal authority of the EU to enforce the SGP meant the spirit of the EU's austerity rules were abandoned after only a few years in the mid-2000s. Again, this is an experience familiar to other IOs that lack an independent coercive infrastructure to implement policy. While the EU's deep market integration and monetary union resembled the creation of a supranational state, its institutions continued to be haunted by the headaches of an IO.

This chapter will argue that the governance turn the EU took at the end of the millennium must be placed in this historical grounding of the dilemma of supranational authority. The chapter will make the argument in three steps. First, the chapter will show how, in the early years of integration, the limited policy responsibilities of the European Commission meant its organisational capacity was poor but of less relevance. A string of reports in the 1960s-1980s highlighted an organisation with serious management flaws. In particular, the Delors Commission (1985-1994), famous for relaunching integration in the 1980s with the Single Market plan, came in for sharp criticism. Before Maastricht the Commission viewed itself not as an institution that governed, but as an entrepreneurial motor of 'ever closer union'. As a result, before Maastricht, issues of capacity were only an internal and technical concern for the Commission.

Second, the chapter will argue that after Maastricht the question of supranational governing capacity became pressing. I show how, in contrast to a neoliberal perspective on European integration as a process of marketization, a public management community was

diagnosing a ‘management deficit’ facing European institutions. A major voice in this was Les Metcalfe. In the opening quote, Metcalfe expressed how the requirements of Europe’s supranational institutions had changed. The policy responsibilities created for European institutions with the creation of the EMU meant the capacity of the European Commission moved from a minor technical issue to a major political concern. A particular concern of the public management community was that the instrument of law that neoliberal integration relied upon was inadequate to the modern requirements of international policy-making.

Finally, the chapter elaborates this management deficit in the realm of fiscal policy. I show how the Commission was asked to coordinate the fiscal affairs of member states in the EMU without a budget of its own and in the face of fierce resistance to the legal instruments of the SGP. At the same time, the Commission’s archaic internal financial management procedures were increasingly coming in for criticism, culminating in the fraud crisis in 1999 and the fall of the Santer Commission. The significance of the crisis of internal financial management in the Commission and budgetary coordination of the SGP reflected how the connections between budgeting and management became a major political crisis at the turn of the millennium in the EU. The chapter therefore provides the historical grounding of the challenge of building supranational authority in the absence of an adequate financial and legal infrastructure that the later turn to ‘governance’ responded to.

3.1 Governing Europe Before Maastricht

Since the early years of European integration in the 1950s its political stakes have been cast as the balance of power between intergovernmental and supranational institutions. In legal terms, supranational institutions in the early years of integration through the EEC gained increasing formal authority over a range of policy issues like external tariffs or market competition. But it was a striking feature of the European project, from the 1957 Treaty of Rome establishing the EEC to the Treaty of Maastricht creating the EU in 1992, that the governing capacity of supranational institutions has been remarkably neglected. The European Commission may have gained responsibilities through integration, but its ability to manage the affairs of Europe were limited.

European Commission as a Policy Entrepreneur on the Margins

Before the 1970s, the capacity of European institutions was a peripheral question. Indeed, the early Commission had explicitly eschewed a management function. In the negotiations on the Treaty of Rome, creating the EEC, organisational issues ‘were perhaps given the lowest priorities’ (Cini, 1996, p. 13). In a pattern often repeated in European integration, the Treaty of Rome largely consisted of ‘general statements concerning objectives and intentions’ that ‘actually left virtually everything to be done’ (Dedman, 2010, p. 83).

It was French planner Jean Monnet who set the tone and trajectory of early European administration. Monnet favoured the ad hoc and flexible when it came to organisation. He was President of the forerunner to the European Commission, the High Authority of ECSC. As President of the ECSC, Monnet envisaged an organisation that was ‘small, flexible, personalised, and non-hierarchical’ (Schön-Quinlivan, 2011, p. 15). Monnet’s approach to the ECSC was forward looking, he ‘had less interest in the increasingly bureaucratic management of the common market than in its establishment’ (Heyen, 1993, p. 42). The result was that Monnet came to personally embody the High Authority as an organisation. Hoping the ECSC was a step on the road to political and economic union in Europe, Monnet wanted to avoid prejudging this development by imposing a rigid bureaucratic architecture onto the fledging High Authority. Monnet was therefore ‘apprehensive about the emergence of administrative rigidities’ (Stevens & Stevens, 2001, p. 29). In his own words, Monnet argued that ‘under no circumstances will we create an administration’ (Seidel, 2010, p. 31). The goal for Monnet was not to create a bureaucracy for an international organisation, but to create an engine for a United States of Europe.

In any case, Monnet had little experience with organisational planning. Monnet had decades of experience at the highest level of political and administrative office, most prominently being the chief of the post-war French planning bureau, the *Commissariat général du Plan* (CGP). He had, however, been catapulted to these positions by the force of his vision and networking prowess. As a result, he operated largely detached from the day-to-day mundanities of organising a bureaucracy. The result of his informality was an overreliance on the personal drive of Monnet and other key officials. The absence of formal structures led to ‘overlapping, duplication and confusion’ at the ECSC (Schön-Quinlivan, 2011, p. 16). For example, a Belgian auditor, contracted to review the finances of the High Authority, was left with an impression ‘of such

disorder and confusion that he thought the task was desperate', eventually pleading with Belgian banks to lend additional auditors for the task (Stevens & Stevens, 2001, p. 28).

This organisational pattern was carried into the European Commission when it was created through the 1957 Treaty of Rome, establishing the EEC. The Treaty of Rome was inconclusive on the question of how to establish a supranational governance capacity. On one side, governments chose to clip the wings of executive discretion held by the Commission compared to its predecessor the High Authority of the ECSC. Unlike the High Authority, the Commission had none of its own resources and little budgetary flexibility (Seidel, 2010, p. 68). Nevertheless, there were efforts to bureaucratised the Commission beyond the ad hoc High Authority. The administrative culture set by Monnet was, however, only partially dissipated. The first president of the Commission, Walter Hallstein (1958-1967), shared with Monnet a zeal for integration and a strong sense of self-importance concerning his role within it. Hallstein was apt to describe himself as Europe's prime minister, much to the enagement of French President De Gaulle. Nevertheless, Hallstein put far greater credence than Monnet on the institutional coherence of the Commission. For Hallstein, the aim 'was to create a truly European public service', moving from 'fluid processes to bureaucratic procedures' (Schön-Quinlivan, 2011, pp. 17–18). In stamping this institutional structure, Hallstein 'brought to the EEC the hierarchical traditions of the German administration' (Stevens & Stevens, 2001, p. 30).

To achieve this, the Dutch management consultancy Bosboom en Wegener was commissioned to review the Commission's administrative structures. Their report of August 1959 reflected the bureaucratic zeitgeist of the time, proposing 'better horizontal coordination between services and more efficient division of work among DGs [Directorates-General]... to allocate responsibility' (Schön-Quinlivan, 2011, p. 16). Along these lines, early reforms to the Commission saw staff regulations brought in, codified procedures for hiring and firing, work allocations set among departments and procedures formalised, dispensing with the informal working arrangements of Monnet's High Authority.

Administrative reform in the Commission at this time though was less interested in governing capacity and more in the optimum organigram that would balance national representation and efficient task distribution. The early Commission had little interest in the tedium of policy management. Instead, the institution continued to view its function as entrepreneurial policy initiation – launching grand initiatives and battling with national governments to push integration forward. A report from the 1960 *Comité de rationalisation* made

this clear. It was argued that the Commission's task was 'about initiation rather than decision and management... without any relay from conception or negotiation tasks to managerial ones' (Schön-Quinlivan, 2011, p. 17). On this basis, the early Commission primarily saw itself as an '*administration de mission*' (Schön-Quinlivan, 2011). It was responsible through political entrepreneurship for the launching of policy initiatives tied to the personality of the president towards the goal of ever closer union. The question of administrative capacity and reach was marginal. What was important at this time was the creation of new European policies, not their administration.

The Commission's entrepreneurial pursuit of deepened integration through grand initiative has long been held as the source of the institution's power. In terms of the Commission's infrastructural capacity, however, the reliance on initiative is in many ways a testament to just how weak the organisation was as a supranational authority, far removed from the locus of state power. From its inception, the Commission was administratively peripheral. The EEC had been created in 1956 to deal with regional competition under post-war US hegemony. Through a loose customs union, the EEC provided a framework of intra-European/Eurafrican trade that could drive levels of economic growth to fund emergent welfare systems and colonial development (P. Hansen & Jonsson, 2015; Milward, 2000). The first decade of integration was therefore focused on realising the core of the Treaty of Rome. Internal tariffs were to be lowered and collective external tariffs negotiated. By the late 1960s, this task had been largely completed and European institutions were somewhat bereft of purpose.

The 1960s saw efforts to turn the Commission from an organisation without a task into a machine of European planning. French economist and Commissioner for Economic and Financial Affairs (ECFIN), Robert Marjolin, attempted as much in the 1960s (Warloutzet, 2018). But there was little interest from member states in extending supranational governance. Instead, the 1960s and 1970s were a period of tumultuous inter-state negotiations and the marginalisation of European institutions. Epitomising this, the 'empty chair crisis' of 1965 saw French President De Gaulle boycotting European institutions in protest at a proposed package of reforms from the Commission to expand its budgetary autonomy and reduce the irrelevance of the European Parliament. Lacking any institutional levers, and politically marginalised by the empty chair crisis, the Commission's efforts at launching grand policy initiatives were a stab in the dark rather than a source of empowerment. Dedman, for example, describes how Roy Jenkins launched a project for monetary union in 1977 'apparently to counter the tedium of being President of the

European Commission' (Dedman, 2010, p. 111). The launch of the European Council in 1975 confirmed the marginalisation of the Commission and the displacement of the supranational authority of the Commission in the trajectory of European integration (Cini, 1996, p. 52).

Growing Governance Burden of European Institutions

The early Commission's political marginalisation had made matters of supranational capacity of relatively little concern. This situation began to change around the 1970s. Growing policy programmes meant the Commission was gaining increasing responsibilities to discharge policy functions and not just lobby for new European projects. The Common Agricultural Policy (CAP) was introduced in 1962, eating the majority of the EEC's budget. The creation of the European Regional Development Fund in 1975 considerably increased the responsibility of the Commission to supervise the allocation of resources to the Community's neediest regions. These growing responsibilities meant the organisational state of the EEC's institutions was of growing concern. Alongside this, ideas circulating in the 1970s over possible political and economic union in Europe meant the question of the kinds of supranational authority that would be required in such a project began to be addressed. While ideas of such a union imagined a vast empowerment of supranational capacities, evaluations of the state of the Commission's organisation was pointing to serious concerns.

The idea of fiscal and monetary union had been most prominently first raised in the 1970 Werner Report. The report foresaw that a union would require substantial new supranational capacities to manage it. Namely, if Europe's economies and currencies were to be united, then there needed to be sufficient financial firepower to cope. The Werner Report was explicit that 'in the long run it [EMU] cannot do without' political union, in terms of full budgetary integration, common financial supervision, and capital tax harmonisation (Werner, 1970, p. 12). Building on this, the 1977 MacDougall Report imagined what a community fiscal policy would have to look like to make the EMU work (European Commission, 1977). The report foresaw big transfers of fiscal capacity to the community level for the purposes of macroeconomic stabilisation and resource redistribution. Donald MacDougall later wrote about the report that not even 'the relatively modest Community budget we were proposing would be nearly sufficient to sustain a monetary union' (MacDougall, 1992, p. 65).

It was not only federalist policy-makers, however, that foresaw the need for a vast empowerment of supranational authorities to make a single currency viable. For many neoliberal

economists and thinkers, monetary union would bring with it an unsavoury pooling of national budgets. For this reason, most neoliberals opposed it. Friedrich von Hayek, in a 1976 publication for the Institute for Economic Affairs, was sharply opposed to any 'utopian European Monetary Unit' (von Hayek, 1976, p. 17). Rather than a single currency, von Hayek instead proposed a monetary system of competing private currencies issued by banks. Milton Friedman was also critical of monetary union. He argued that 'Europe's common market exemplifies a situation that is unfavourable to a common currency' (Friedman, 1997).

While 1970s proposals for economic union assumed the need for a massive empowerment of supranational authority in budgetary terms, the state of the European Commission to discharge its existing policy responsibilities was beginning to be seriously questioned. The early 1970s had seen a transformation in the way the Community was financed. The Council decision of 21 April 1970 had introduced the financing of the Community not just through national financial contributions, but 'own resources' for supranational institutions drawn from external tariff levies and, later, a slice of VAT revenue. The turn to an independently, yet meagrely, financed European Commission led to pressure from national governments for a more rational use of Community resources. A similar point had previously been made as early as 1960. The 1960 *Comité de rationalisation* had complained that the Commission put little effort into rationally prioritising its work, 'instead treating all aspects of the EEC treaty as equally important' (Seidel, 2010, p. 104).

Meeting the governmental tribute for financial autonomy, the Commission agreed on 14 October 1970 to experiment with the latest techniques of budgetary planning through adoption of PPBS (European Commission, 1971, p. 373). PPBS was meant to bring greater accountability to the Commission's use of resources by placing them on the rational footing of systems analysis (Schön-Quinlivan, 2011, p. 29). As within national governments, the turn to PPBS within the Commission was short lived. The fact that it was proposed though reflected a concern that the Commission as an organisation had little coherence and capacity to perform its responsibilities in an effective way. In the early years of the Commission this had not mattered so much. But, as supranational institutions gained in responsibilities, it was a growing concern.

The internal managerial pressures on the Commission was most prominently made at the end of the 1970s with the 1978 Spierenburg Report. More than any report previously, the Spierenburg Report critiqued the Commission for neglecting a management function in its work, distinct from its self-perceived role as a policy entrepreneur (Schön-Quinlivan, 2011, pp. 28, 34).

The report pointed to how ‘the Commission is being managed in a manner and with techniques which are inappropriate’ given its growing tasks (Spierenburg, 1979, p. 4). Senior management was singled out in the report. In a critique of the preference given to policy initiation, the report argued that Director-Generals are ‘of course responsible for directing the conceptual work of his [sic.] department, but he should not on that account neglect his duties of management, which are equally important’ (Spierenburg, 1979, p. 18). Spierenburg argued that in future ‘it should not be possible for anyone to be appointed Head of Division (and a fortiori to a higher position) unless he has shown aptitude for management’ (Spierenburg, 1979, p. 24). Seeking to counter the way in which the Commission had developed policy specialists holding siloed positions of high authority, the report argued that a managerial authority could be enhanced by enforcing mobility across the Commission, such that ‘a Head of Division should also have had experience throughout his [sic.] career of several different sectors of the Commission activities’ (Spierenburg, 1979, p. 24). This focus on mobility would be a key feature of the later Kinnock Reforms in an attempt to displace perceived ‘policy experts’ from their institutional castles.

Very little of the Spierenburg Report was taken onboard (Cram, 2001, p. 778). Instead, the arrival of Jacques Delors to the Commission in 1985 brought an almost total neglect of the organisation’s management structures, while exponentially increasing the Commission’s tasks first with 1986 Single European Act (SEA) and later with the 1992 Maastricht Treaty. Delors’ leadership style was fiercely hierarchal and personal. Built around a powerful central apparatus of political cabinets outside the formal hierarchies of the Commission bureaucracy, Delors’ administrative machine was built on personal connections to key individuals centred on his powerful lieutenant Pascal Lamy (Ross, 1995, p. 68). George Ross describes how Delors’ Cabinet members ‘were believers and dedicated activists for the cause, not simply civil servants’ (Ross, 1995, p. 68). While conducive to the singular drive and direction emblematic of the Delors Commission, the result was a neglect of the Commission’s management structures (Ross, 1995, p. 68). Instead, Delors ‘preferred to set up informal short-cuts in policy conception and decision-making in order to achieve his goals’ (Schön-Quinlivan, 2011, p. 42). Some officials were concerned that the Commission’s basic organisation was being undermined under Delors. One argued that ‘by relying excessively on informal channels, the formal channels have become atrophied’ (Grant, 1994, p. 112).

Most problematic for the Commission was financial management. The 1970 proposals for monetary union had proposed the need for substantial new budgetary powers for

supranational authorities, and the road to the EMU in the 1990s suggested European institutions would find themselves responsible for the budgetary and economic coordination of half a continent. The experience of the Delors Commission, however, revealed the Commission was an organisation that could barely cope with its own financial affairs, let alone the budgetary affairs of a monetary union.

The Commission's financial management tasks had grown considerably over the 1960s and 1970s with new funds and policy programmes. Post-Maastricht, they were to grow even more. At a time where NPM reforms were sweeping OECD countries, the Commission's procedures for processing transactions (let alone administering any kind of budgetary planning) were archaic (Kassim et al., 2013, p. 212). The Commission had repeatedly toyed with developing modern financial management practices. PPBS had been officially adopted in the 1970s. Efforts to reform the Commission's financial systems were, however, undermined by member state opposition to the expansion of the EEC's budgetary autonomy. Repeated proposals from the Commission to broaden its budgetary capacity were vociferously rebutted by the Council, most notably precipitating the 1965 Empty Chair Crisis. Delors himself had attempted to settle budgetary conflicts in the EEC with the 1988 Delors I Package, followed up by the Delors II Package in 1992.

While the EEC's financial duties increased through the 1970s, the neglect of the administrative requirements of this, and the refusal of the Council to countenance them, meant the Commission turned to more ad hoc organisational methods. Among the most infamous of these were the so-called 'mini-budgets' of Delors. Facing the refusal of the Council to fund additional staff, the Delors Commission simply reallocated funds from operational budgets, meant for direct use in policy programmes, to cover administrative costs (Stevens & Stevens, 2001, p. 95). This reached a greater level of formalisation with emergence of Technical Assistance Offices (TAOs) under Delors. These were a mechanism of informal and sporadic contracting out of administrative services to external firms that became the norm within the Commission during the 1980s. The heavy use of TAOs created a mess of contracts servicing some of the EEC's biggest programmes. The informality of the system meant they were impossible to accurately count, let alone audit. Indeed, it was from many of such financial management practices that fraud allegations would later surface in the 1990s.

The Delors Commission thus suffered from a 'culture of "ad hocness"' (Schön-Quinlivan, 2011, p. 42). With a meagre budget, and growing tasks, the Commission found itself

‘incapable of adequately discharging the new “competences” it claimed after 1986’ following the SEA (Gillingham, 2003, p. 159). In a note to the incoming Santer Commission, Commissioner Peter Schmidhuber, responsible for the EU budget under Delors, ‘highlighted problems of budget planning, implementation, evaluation and financial control’ (Laffan, 1997, p. 430). Likewise, in 1994, in a confidential internal note reflecting on the state of the Commission at the end of Delors’ tenure, it was highlighted that ‘current administrative and managerial structure of the Commission is recognisably that of 20 or 30 years ago, despite the more than doubling of the number of member states and the greatly increased responsibilities delegated to it’ (European Commission, 1994). The note went on to complain there had been a ‘general undervaluing of management’. The Delors Commission was an organisation riddled by duplicated activity, unclear staffing levels and task designation, borderline (and sometimes explicit) fraud. When grilled by journalists about fraud and mismanagement accusations surrounding the Commission in 1999, Commission President Santer told them to ‘ask my predecessor’, Delors (Tucker, 1999).

By the 1990s, then, the European Commission was facing a serious management crisis. The early Commission’s management capacities were acceptably ignored, given its limited role in governance within the customs union of the EEC. In contrast, by the 1980s the Commission was administering a range policy programmes and yet the organisation’s structure had hardly changed. Opposed to substantially empowering supranational authorities budgetarily or administratively, national governments nevertheless continued to give the Commission an increasing numbers of tasks. In the 1980s, the Delors Commission had attempted to compensate for this through sheer will and political zeal. The effect, however, was to compound rather than resolve the Commission’s management problems.

The 1980s/1990s seemingly offered one solution to this crisis of management within European institutions in the form of neoliberal marketization. The Thatcher and transnational capitalist-led proposals for a Single Market put aside Marjolin’s 1960s proposals for a European planning capacity or Werner’s proposals for supranational budgetary authority. Instead, deepened marketization in Europe would intensify the removal of barriers between the nations of the EEC and strip back Brussels bureaucracy. One might have presumed that in the drive for marketization growing questions of supranational administration would become redundant once more. If the EEC was to become a market-led project, European policy programmes were more likely to be cut than requiring improved management. In reality, the rise of ‘neoliberal’ integration at the end of the 1980s, culminating in the creation of the European Union at

Maastricht in 1992, opened renewed questions of a ‘management deficit’ facing supranational authorities. This time, management would become not just an internal or technical concern. It framed the biggest political crisis the Commission had faced as an organisation in its history.

3.2 A Market Without Management?

The 1980s marked a major shift in the shape of European integration. What had become in the 1960s and 1970s a stalling project of inter-governmental disputes, mega projects going nowhere, and archaic supranational institutions was rejuvenated through a mission for completing the single market proposed at Rome in the 1950s. In the eyes of scholars, European integration in the 1980s took a decidedly neoliberal shift away from visions of supranational authority and instead to the market. John Grahl and Paul Teague, for example, observed that the 1980s ‘will doubtless be the decade of the market’ (Grahl & Teague, 1990, pp. 17–18). Likewise, van Apeldoorn argued that the period was defined by ‘negative integration... more market and less state at all levels of the EU’ (van Apeldoorn, 2003, pp. 80–81). Perry Anderson similarly observed that neoliberal integration launched meant not ‘a superstate, but *less* state’ (Anderson, 2009, p. 30). For a growing community of public managers, however, ‘negative integration’ in the 1980s/1990s did not imply a withdrawal of the state, it posed serious challenges of governance. Metcalfe, a major voice of European public management, spoke after Maastricht of a growing ‘management deficit’ facing supranational institutions that had been building since the 1970s (Metcalfe, 1992).

The Rise of ‘Neoliberal’ Market Integration

The 1980s saw the rise of a neoliberal perspective on the direction European integration should go. Most prominently giving voice to this perspective was the corporate executive planning body, the European Round Table of Industrialists (ERT). The ERT was founded in 1983 upon the initiative of Pehr Gyllenhammar (then CEO of Volvo), with the encouragement of the European Commissioner for Industrial Affairs, Etienne Davignon. Since the industrial cartel project of the ECSC, European integration had always been a corporate project. The ERT was, however, something different. Previous decades of European integration had seen big business largely ignoring European institutions, instead holding onto privileged access to

national governments within domestic corporatist structures. Moreover, the Vredeling Directive from the European Commission in the early 1980s had ‘temporarily slammed the door on cooperation with big business’ (Gillingham, 2003, p. 238). The directive proposed a mandatory system of employee consultation and co-management for multinationals operating in Europe. Its effect was that in the early 1980s European institutions were seen by big business as more of a threat than a space to influence. Ironically, it was the controversy of the Vredeling directive’s proposal that directed a significant reorientation of corporate lobbying activity to the European level (Gillingham, 2003, p. 238). US multinationals in particular began pouring funds into lobbying European institutions in reaction to the, ultimately unsuccessful, directive (Danis & Hoffmann, 1995).

The ERT emerged from this context. It differed significantly, however, from the European employer associations that predominated at the time. Indeed, it was founded on the premise that the dominant European business groups ‘were poorly run organizations that could not promote a major European initiative’ (Cowles, 1995, p. 504). Unlike a traditional corporatist employer organisation, membership of the ERT was personal – individual CEOs of Europe’s largest companies were represented rather than the companies themselves. Indeed, Cowles describes how the ‘first list of potential industry members was drawn up in 1982 in the Commission’s Berlaymont building by Volvo and Commission staff (Cowles, 1995, p. 504). In the makeup of the ERT, the ‘concept of “industrialist” was all important’ (Richardson, 2000, p. 10). Members came from Europe’s largest industrial corporations, such as Thyssen, Fiat, Siemens, Volvo, Shell, and Nestlé. The ERT, then, represented a novel means for the expression of corporate interests. Executives stepped outside of the traditional corporatist structures that were then breaking down across Europe and directed themselves personally to EU policy-makers.

For the corporate executives of the ERT, Europe of the 1970s was facing a crisis of Eurosclerosis. The term was coined by economist Herbert Giersch at a Mont Pèlerin Society lecture delivered in Sydney in 1985. Eurosclerosis captured what were seen as a collection of rigidities between Europe’s economies. Internally, ‘unemployment has become Europe’s economic problem No.1’ (Giersch, 1985, p. 4). Indeed, almost full employment post-war had been replaced in the 1970s with rates averaging 12 percent, and inflation rates ranging around 9-18 percent (Grahl & Teague, 1990). Explaining this, Giersch pointed to the usual culprits of neoliberal critique: rigid labour markets, overly powerful unions, and a bloated public sector.

Between Europe's economies, Giersch bemoaned the inadequacy of the common market. Harmonisation covered only a fraction of industries. Non-tariff barriers were said to be undermining the coherence of those industries already integrated. Non-tariff barriers had been steadily raised across Europe throughout the 1970s (Gillingham, 2003, p. 108). Using highly-specified safety and environmental protections that EEC institutions could not keep pace with harmonising, Europe's states had hoped to shelter domestic industries from regional competition during the tumultuous 1970s while staying within the rules of the Common Market (Dedman, 2010, p. 113). The result for Giersch was a continental economic crisis. Chronic underperformance was said to plague Europe's economies in relation to the past successes of the 1950s and global competition being felt from the US and Japan.

Eurosclerosis became a rallying call for Europe's neoliberal ideologues and corporate executives of the ERT (van Apeldoorn, 2003, p. 67). The proposals in response were to wipe away Europe's non-tariff barriers and shed labour regulations. Most notably, the so-called 'Dekker Paper' proposed a series of measures to realise market integration.¹¹ The paper is described by Cowles as 'revolutionary... because it produced what had escaped national and European policy-makers – a simple plan for a unified market' (Cowles, 1995, p. 514). Through their proximity to the upper echelons of European institutions and national governments, the ERT played a key role in raising a renewal of economic integration to the top of the European political agenda, as well as engaging in active lobbying efforts to push it through European institutions. The Dekker Paper was a key vehicle around which, after much ERT lobbying, national capitals and the Delors Commission drove forward the Single Market agenda in the 1980s. To this extent, Keith Richardson argued 'the Single Market is the brightest battle-honour on the ERT flag, surely the most clear-cut example of success' of their influence (Richardson, 2000, p. 24).

Alongside this corporate push, efforts to realise the promise of Rome had been ongoing for years within European institutions. The Commission was fully aware that nontariff market barriers created in the tumult of the 1970s economic crisis were undermining the Common Market's coherence (Gillingham, 2003, p. 232). The Kangaroo Group, formed in the European Parliament after the first direct elections of 1979, had been pushing already for several years for an intensified effort at completing the Common Market through a removal of barriers

¹¹ The paper was named after Wisse Dekker, the chair of Philips and the ERT in the 1980s

to trade and freedom of movement. Thatcher's confidante Lord Cockfield, upon taking office within Delors Commission as Commissioner for Internal Market, immediately issued a White Paper on *Completing the Internal Market* in June 1985. The paper listed 300 detailed legislative measures to unify the fragmented Common Market. The White Paper laid the groundwork for the passage of the SEA in 1986. The SEA set a deadline of 1992 for the completion of a harmonised Single Market in the EEC, removing all remaining barriers to trade. Alongside this, the 1988 Cecchini Report discussed the 'costs of non-Europe', offering a landmark economic analysis costing barriers to trade and the growth potential that was possible through regulatory subtraction or 'negative integration' (Cecchini et al., 1988).

By the 1990s, then, European integration had seemingly gone neoliberal. The Single Market was rapidly nearing completion. The non-tariff barriers between countries of the newly created EU were to establish a single space of capitalist accumulation. External tariffs were being slashed in the shadow of the new WTO, embracing the market forces of globalization. The move to the EMU, agreed at Maastricht in 1992, promised to liberalise capital movements across the Union. Previous attempts at integration in the 1960s and 1970s based on ideas to bolster the capacities of supranational institutions were dropped. Instead, the turn to market-led neoliberal integration was slashing barriers between states, seemingly leaving supranational institutions with nothing to do but get out of the way. And yet, for a group of public managers, a very different perspective on the neoliberal turn to integration was forming. Rather than marketization diminishing the role of the EU's supranational institutions, it was compounding its management problems.

Follies of Negative Integration

Public managers in the 1990s began speaking of a 'management deficit' facing European institutions. The term was coined by Les Metcalfe (Metcalfe, 1992). Metcalfe had previously been a vocal commentator and participant in NPM reforms in the UK, having spent time within Thatcher's Efficiency Unit (Metcalfe & Richards, 1990). Later, he would become an important figure in theorising 'governance', apt to make cybernetic metaphors to describe changes that were taking place to public administration (Metcalfe, 1993). In the 1990s, Metcalfe was Professor of Public Administration within the Management Unit of the European Institute of Public Administration (EIPA). The institute was a major centre of public management research and practice. It had been set up in 1981 through European funding as a training centre for civil

servants within the EEC. Through exchanges, trainings, and reports EIPA's mission was to diffuse the latest management techniques to Europe's civil servants, with a particular focus on implementing Community legislation. To this extent, EIPA's manta was 'managing European policies' (Interview 3, EIPA official). Major figures of international public management passed through EIPA at various stages, delivering training or writing reports. The policy analyst Yehezkel Dror delivered crisis-management workshops for senior Commission civil servants (Interview 3, EIPA official). Aaron Wildavsky collaborated on a report on implementing budgetary reforms under the EMU (Wildavsky & Zapico-Goñi, 1993).

At EIPA, Metcalfe wrote extensively on questions of public management within the new EU. What he saw concerned him. Metcalfe observed that within the high-level political negotiations at Maastricht, and the drive for a market-led path of integration, there was 'a widening gap between increasing responsibilities and the limited capacities for fulfilling them' (Metcalfe, 1996a). As European institutions were increasingly being charged with governing a single currency and market, Metcalfe considered that 'there is hardly any serious discussion of whether the EC is equipped to handle its new tasks' (Metcalfe, 1992). Delors was a prime target of this. Metcalfe wrote 'Delors capitalized on the strengths of the Commission but did little to remedy its weaknesses' (Metcalfe, 1996b, p. 53). Taking particular flak was Pascal Lamy, Delors' *chef de cabinet*. Metcalfe accused him of a 'disdainful and simplistic attitude to the whole question of management' (ibid.).

For some time, Metcalfe was a 'lone voice who has identified the management problems of the Union' (Laffan, 1997, p. 425). As the decade progressed, however, a chorus of public managers queried the management capacities of European institutions to cope with neoliberal integration (Laffan, 1997; Pappas, 1992; Stevens & Stevens, 1997). European institutions were likewise not blind to the widening management deficit. Already in 1992 the Sutherland Report pointed out the oncoming managerial challenges that neoliberal integration would pose (Sutherland, 1992b). In a speech to EIPA, the author of the report, former Competition Commissioner and Irish banker Peter Sutherland, posed the same question as Metcalfe: 'the responsibilities of the Commission for making European policies work in practice have been increased. The main question we have to ask is whether there are the capacities to match the increased competence?' (Sutherland, 1992a).

For Metcalfe, rather than being a process of subtraction, or even re-regulation, 'negative integration' required substantial new active management capacities at a European level.

Metcalf argued that ‘integration was not an automatic process. It must be deliberately managed; and effective management is becoming more important, not less’ (Metcalf, 1992, p. 117). Riffing off Milton Friedman’s ‘There’s no such thing as a free lunch’, Metcalf argued ‘There’s no such thing as a free market’. The ‘transaction costs of creating and managing the market framework and maintaining the institutional infrastructure at the European level’ were a neglected but crucial element of the move towards the single market (Metcalf, 1992, p. 122).

Whereas the ERT and neoliberal economists pronounced the creation of the Single Market as a straightforward step of either removing obstacles or enshrining new rules in international constitution, Metcalf highlighted the active elements of management that were needed to govern effectively within the new EU: ‘positive integration is essential to establish and maintain the framework for negative integration. The latter cannot proceed without the former’ (Metcalf, 1992, p. 122). This went beyond an ordoliberal concern with framework tweaking to preserve stability. It was a call for active steering to achieve desired policy outcomes. On this basis, Metcalf argued that ‘the biggest danger in European governance is not excessive control, as Europhobes fear, but the opposite – fragmentation. The EU is undermanaged rather than overmanaged’ (Metcalf, 2001, p. 434).

3.3 The Inadequacy of Law for Supranational Governance

In pointing to the ‘management deficit’ of European institutions, public managers in the 1990s were highlighting the need for capacities qualitatively different from those of neo/ordoliberals. Scholars of neoliberalism have highlighted the primacy of law and constitution in the making of neoliberal integration as a process of ‘encasing’ or ‘constitutionalising’ markets (Gill, 1998; Slobodian, 2018). For the public managers of the 1990s, however, it was precisely the inadequacy of law as an instrument of international regulation that was compounding the EU’s crisis of management.

Since the late 1980s there was a growing anxiety surrounding integration about levels of compliance with EU law. Much of the major steps of integration prior to the 1990s was propelled by the ECJ’s judicial activism. Notably, the *Cassis de Dijon* case of the 1970s saw the ECJ acting as an agent for marketization through its judgement for the mutual recognition of products in the Common Market. By the 1980s, rapid progress to the Single Market had made a

growing body of European regulation much more important. In this context, however, public management scholars began asking whether the growing body of European law was actually being adhered to. An early text from EIPA by Heinrich Siendentopf and Jacques Ziller empirically mapped levels of implementation of European Community measures (Siendentopf & Ziller, 1988). They found high levels of non-compliance. Later, Maria Mendrinou similarly observed that ‘member state non-compliance is a significant system phenomenon in the EU’s development’, highlighting the dramatic spike in non-compliance proceeding launched by the European Commission since the late-1980s (Mendrinou, 1996, p. 16). Mastenbroek also argued that the while formally Single Market legislative provisions were adopted by the 1992 deadline, ‘member states’ compliance with the programme turned out to be poor’ (Mastenbroek, 2005, p. 1104).

Neoliberals saw in law the principle instrument to achieve a market order, constraining discretionary state action and insulating a competition principle from popular pressure. But for public managers the compliance gap showed how law was limited in providing the infrastructural power required to achieve desired policy objectives. Simply strengthening enforcement of the EU’s legal provisions was not enough. Instead, the basic instruments of public authority had to be questioned. Phedon Nicolaidas and Helen Oberg, for example, wrote for EIPA that harsher penalties were unlikely to help the compliance problem since ‘if urging Member States to act in the common interest or threatening them with legal action were sufficient, the situation would have improved a long time ago’ (Nicolaidas & Oberg, 2006, p. 17).

Instead, the problems of effective implementation provoked a more fundamental question within public management communities concerning the adequacy of law. Guy Peters, for example, argued ‘legal incorporation does not guarantee that there will actually be effective translation of EU laws and policies into action’ (Peters, 1997, p. 190). Similarly, Metcalfe highlighted that formal steps in integration through law should not be mistaken for the construction of supranational capacities to achieve policy changes domestically. Related to constitutional and legal advances in European integration agreed at Maastricht, Metcalfe argued that ‘competences, in the sense of formal responsibilities and authority, can be enlarged without any corresponding increase in management capacities. There is no automatic connection between the two’ (Metcalfe, 1992, p. 117). The challenge was, therefore, not deepening legal commitments in a neoliberal sense, but creating the organisational infrastructure to assert a European policy agenda along the lines of public management.

Voice was also given to this perspective within the heart of European institutions. Most notable was the work of *La Cellule de prospective*/Forward Studies Unit (FSU), an internal think tank of the Commission. The FSU was set up in 1989 by Commission President Jacques Delors as an internal think-tank for the European Commission. Under the early leadership of Jérôme Vignon, its purpose was to provide foresight and planning for the Commission and to ‘monitor and evaluate European integration’.¹² The FSU represented the introduction of policy analysis into the Commission (Sherrington, 2000, p. 180). *Prospective* – or foresight – had a long history in France connected to state planning (Andersson, 2018). The FSU was only a tiny part of the Commission. It had only around 30 people, most of which were senior civil servants. It operated through a flat structure and open remit, unlike the formalised hierarchies found elsewhere in the Commission (European Commission, 1999). The FSU’s broad focus set by Delors was on issues of European identity, education, economic development, and Community enlargement. While formally independent, the FSU was ‘always part of the Delors machine,’ pursuing an agenda closely aligned to his personal priorities (Ross, 1995, p. 61). After Delors, the FSU became something of an organisational football, with successive presidents renaming and restructuring it.¹³

In the mid-1990s, the FSU ran a project on ‘Governance’. The project emerged from a period of uncertainty for the FSU. The departure of Delors in 1995 left it somewhat isolated and bereft of a strategic direction. Facing a need to justify its continued existence, the FSU proposed a project exploring governance. This connected with an interest of the incoming Santer Commission in management reform and the wider discourse of governance circulating in international policy circles at the time, such as at the World Bank (Interview 2, former FSU official). To this extent, governance was not a straightforward category to reach for. It was a politically expedient project that could provide a new *raison d’être* for the FSU that slotted into the reformist agenda of the Santer Commission.

The project consisted of a series of seminars and reports run together with the Centre of Philosophy of Law at the *Université catholique de Louvain* (UCLouvain). It was coordinated by Dr John Paterson (then at UCLouvain) and Notis Lebessis (a Commission official and advisor in the FSU). The project brought together a range of scholars and public officials. Participants included

¹² See http://ec.europa.eu/archives/cdp/mission/index_en.htm

¹³ First into the Group of Policy Advisers under Romano Prodi, then the Bureau of European Policy Advisers under José Manuel Barroso, and finally the European Political Strategy Centre under Jean-Claude Juncker

many figures of European public management, including Giandomenico Majone, Christopher Hood, Jean-Claude Thoenig, Les Metcalfe, and Fritz W. Scharpf. The project of the FSU therefore spoke to how public management had a major voice in the 1990s in proposing new directions for European institutions.

Coming out of the project was a perspective that law was too rigid to govern effectively. The fixity of law and bureaucratic regulation meant that regulators were constantly playing catch-up with what had become dynamic, uncertain, and complex economies and societies. One report lamented that law was ‘never taken aback by the circumstances they encounter and which refuse to take seriously the complexity of real life’ (De Schutter et al., 2001, p. 25). The belief that law could be adequately used as a means of control was considered to be underpinned by a fiction ‘that phenomena obey laws, that we can update these laws, and that, thanks to the accumulation and processing of information, we can use our knowledge to act effectively’ (De Schutter et al., 2001, p. 18). Similarly, Majone expressed frustration that fixed regulations ‘are largely ineffective and intrinsically rigid, and have a built-in tendency to become obsolete rapidly’ (Majone, 1983, p. 286).

More than just the instrument of law being in crisis, the project pointed to a more general crisis of the bureaucratic state and representative democracy that mirrored earlier public management critiques in the ‘ungovernability’ debates of the 1970s. One FSU report argued that ‘representative democracy and the bureaucratic state upon which government action has traditionally been founded is increasingly inadequate to cope with the scale of the problems confronting it’ (Lebessis & Paterson, 1999, p. 27). The result was that ‘the most pressing problems of society appear beyond the reach of the political programmes and the bureaucratic administrative bodies which have traditionally been deployed to resolve them’ (FSU, 1996). Scharpf had previously made a similar point in relation to the EU, conjoining a compliant over state capacities with the question of democratic legitimacy. Scharpf argued that the EU’s ‘problem-solving deficits...present the most serious challenge to the democratic legitimacy of the multi-level European polity’ (Scharpf, 1999, p. 3). It was not just law as an instrument that was in crisis. It was the entire machinery of the liberal democratic state.

This perceived crisis among public management of the instruments of public authority in the EU became a political crisis over the course of the 1990s and early 2000s. At a time when European institutions were being burdened with the task of coordinating the budgetary affairs of a single currency, they were denied the principle instrument of public policy in a budget of

their own. Moreover, the financial management tasks the Commission was responsible for were being run increasingly chaotically, continuing the patterns of Delors. Budgeting thus became for the EU a source of political crisis at the turn of the millennium, as its coordination instruments fell flat and the Commission became engulfed in a fraud scandal. The response to this crisis as diagnosed by public management is from where the governance agenda arose.

3.4 Budgetary Woes of Maastricht

Budgeting and fiscal policy in the 1990s became a major source of tension in the EU that exposed the limits of supranational authority. A supranational budget had been ruled out at Maastricht by the central bankers of the 1989 Delors Report, which had designed the path to monetary union. Instead rules would coordinate austerity between EU members. The problem, however, and as predicted by public management, was that rules proved of little practical use as tools of governance. Not only were supranational institutions denied sufficient financial resources, their legal authority was given tight constraints by governments refusing to be subject to the sanctions of supranational institutions. This refusal came from different perspectives. For a sceptical social democratic and trade union movement, European encroachments on national budgeting symbolised the submission of democracy to the austerity demands of a corporate elite. For an insurgent nationalist movement, the surrendering of taxpayer's cash to foreign interests was a threat to the sovereignty of the blood-bound nation. Given these political stakes, the rules never worked as intended. The convergence criteria to join the EMU was observed as widely gamed rather than adhered to. The SGP lasted just a few years before its principle German architect was wilfully breaching its limits.

Alongside the crisis of fiscal coordination, the internal financial management of the Commission became an issue at the end of the millennium threatening the integrity of the European project. Years of delayed reform and neglect under Delors meant even the minimal increase in financial management tasks the Commission was responsible for after Maastricht proved too much. After years of complaint, in 1999 the Commission was dogged by a fraud scandal that would provoke the unprecedented resignation of the Santer Commission. Reform would follow, and improved management would be the solution. By the end of the 1990s, the EU faced the dilemma that it lacked sufficient financial resources, legal authority, and the

managerial competence to govern in budgetary terms. It was from this crisis that ‘governance’ was born, pitching an alternative form of budgeting as planning.

Political Limits to Supranational Authority after Maastricht

When the path to monetary union was set at Maastricht in 1992, it was agreed that monetary union would not bring with it fiscal and political union. While members of the EU would share a currency and deeply integrate their economies, there would be no collective fiscal means to perform traditional functions of a monetary union like macroeconomic stabilisation or political redistribution. This was a massive shift from earlier proposals in the 1970s. Werner and MacDougall had proposed decades before that any move to monetary union needed a significant increase in financial resources for supranational institutions. For the central bankers of the Delors Report, an overriding concern with the moral hazard risks of inflation in a monetary union meant their focus in the design of the EMU was on containing government spending, rather than building a supranational fiscal capacity. Nevertheless, the report foresaw much stronger coordination than was eventually agreed. The central bankers argued that ‘without such coordination it would be impossible for the Community as a whole to establish a fiscal/monetary policy mix appropriate for the preservation of internal balance... Monetary policy alone cannot be expected to perform these functions’ (Delors, 1989, p. 20). For the ordoliberals of the Bundesbank, which dominated discussions in the Delors Report, this meant political union to control inflationary pressures of uncoordinated fiscal policies. Bundesbank vice-president Hans Tietmeyer, for example, saw political union as ‘indispensable for the lasting success of monetary union’ (Baun, 1996, p. 109).

In the end, the policy-making architecture designed at Maastricht was a loose system of coordination through rules and guidelines covering fiscal and macroeconomic policies. The Maastricht convergence criteria set the terms of access to the monetary union, including the 3 percent deficit and 60 percent public debt limits. The SGP, agreed in 1997 as the Euro launch approached, made these figures a permanent feature, legally enshrining deficit and debt limits through international agreement. As a means of coordination, the SGP was a thin legal regime of supranational surveillance that attempted to constrain state expenditure through law and minimise the perceived moral hazard of a shared currency. Alongside this, the Broad Economic Policy Guidelines (BEPGs) set common terms for macroeconomic policies of national governments, with no mechanism to operationalise or enforcing them.

For the Commission and economists promoting the path to monetary union, such a loose arrangement would work out fine. Reinterpreting Robert Mundell's optimum currency area (OCA) thesis, including by Mundell himself, as long as Europe's economies sufficiently converged and national fiscal policy remained prudent, then monetary union did not necessarily need a fiscal and political union (R. M. W. J. Beetsma & Uhlig, 1997; European Commission, 1998; Mundell, 2000). While coded in the language of macroeconomics, the decision not to create a strong supranational fiscal capacity for the EMU hid the massive political tensions that opened over the expansion of supranational authority in the path to the Euro.

Even the minimal level of cooperation that was agreed was highly controversial. Indeed, the ratification of the Maastricht Treaty was surprising in its difficulty. Given that the majority of political parties in member countries supported it, ratification was presumed to be almost a formality (Franklin et al., 1994, p. 456). The first sign of difficulty was the Danish referendum on 2nd June 1992 where 50.7 percent of Danish voters rejected the ratification of the Maastricht Treaty. After agreeing opt outs to the EMU and CFSP at the Edinburgh Council of 1992, a second Danish referendum in May 1993 this time ratified the treaty with 56.8 percent of the vote. Nevertheless, despite the eventual result, the Danish experience acted as a 'symptom and a trigger of Euro-pessimism' across the Union (Sternberg, 2013). The optimism surrounding the launching of the EU was quickly punctured in the wake of the Danish referendum. Attempting to counter this, but in the end compounding it, President Mitterrand announced a day after the first Danish vote a 'constitutionally unnecessary' referendum in France on the treaty (Baun, 1996, p. 111). France's *petit-oui* delivered Maastricht with 51.05 percent in favour. In the process, however, the lacklustre support put a permanent dent on the democratic credentials of the EU.

The opposition to Maastricht, in France and elsewhere, was built on a critique of the EU that drew together tropes of nation, democracy, money and budgeting. In France, the 'ratification debate spurred a reinvestment of the concept of "nation"' (Sternberg, 2013, p. 118). Similarly in Germany, the ratification process led to a resurfacing of nationalism and 'a string of racist and xenophobic assaults in 1992' (Sternberg, 2013, p. 112). In attacking the new EU, nationalist critics asserted what they saw as a line between nationhood, budgeting, and democracy. For the Gaullist politician Philippe Séguin, 'democracy is inseparable from national sovereignty' (Sternberg, 2013, p. 119). By connecting democracy to the nation, and control over public finance as a foundational feature of democratic governance, any attempt to transfer fiscal

affairs to a supranational level was seen as inherently undemocratic. A similar logic was developed in Germany. A Federal Constitutional Court decision on October 12th 1993 conceded the legality of Maastricht, but questioned the democratic basis of integration. In making this case, the judgement drew explicitly on 'ideas of an ethno-culturally homogenous Volk and the unholy trinity of *Volk-Staat-Staatsangehörige* [people-state-citizen]' (Weiler, 1995, p. 223). The court argued that without the presence of a European 'people', who maintained sufficient collective solidarity to tolerate redistributive transfers, supranational governance could not be democratically legitimate and must, therefore, be constrained.

A shared currency touched these nationalist concerns. In France, the concern over integration's erosion of sovereignty and the nation was connected to fears over German domination of an EMU. For the German debate, opposition to integration's encroachment on the sovereign nation came through the prospect of the end of the Deutschmark. Bild-Zeitung's notable headline at the time 'The End of the D-Mark' captured this, claiming 'at Maastricht a funeral bell "toll[ed] for the symbol of German prosperity, of the economic miracle"' (Baun, 1996, p. 108).

Alongside these associations drawn between money and nationhood, the prospect of an enlarged administrative capacity of European institutions drew the ire of the opposition to Maastricht. The *Front National* in France attacked the longstanding trope of 'the Brussels bureaucracy' in stifling the French nation. French nationalist Séguin targeted in particular a perceived technocratic logic of European integration cast as management, compared to a French spirit of zealous reform. He described Maastricht as: 'the work of the spirit of management and the triumph of political renouncement. French politics does not reform anything anymore, it no longer builds anything, it no longer changes anything, it manages' (Sternberg, 2013, p. 121).

When European institutions raised the possibility of expanding their financial resources, the idea of supranational institutions gaining an autonomous political capacity was met with fierce opposition. Most notably, Delors' efforts to broaden the budget of European institutions provoked attacks on the institution for waste, lethargy, and bureaucratic encroachment. Leading this charge was a neoliberal critique. British Prime Minister Thatcher's infamous Hague speech in May 1992 captured this opposition to what was seen as a 'tightly regulated, centralized bureaucratic federal state, imposing uniform standards throughout the continent' (Baun, 1996, p. 106). Likewise, US liberal economist Martin Feldstein argued against monetary union in *The Economist*, highlighting that it 'is not indeed to achieve the advantages

of a free trade zone' but is rather a statist, federal plot (Feldstein, 1992). The most bombastic neoliberal opposition to monetary union came from the avowed Thatcherite and Commission insider Bernard Connolly. His 1995 book *The Rotten Heart of Europe* offered a scathing critique of attempts at monetary cooperation in the 1990s through the Exchange Rate Mechanism (ERM) (Connolly, 2013). In the vein of British Eurosceptic neoliberalism (Slobodian & Plehwe, 2018), the book lambasted Europe's elites. Connolly argued that the 'true story of the ERM has been one of duplicity, skulduggery, conflict; of economic harm done to every country in the caste interests of the élite; of the distortion of economic logic and the dilution of political accountability' (Connolly, 2013, p. 378).

The Political and Managerial Failure of Budgetary Rules

The political limits put on supranational authority by a mostly nationalist opposition to integration led to the limited system of coordinated austerity agreed at Maastricht. Rather than collective fiscal and economic instruments (principally a large supranational budget), policies were to be coordinated through rule, guidelines, and dialogue. As the system was implemented, however, first with the convergence criteria to join the Euro, and then the SGP, it became apparent that rules were a poor instrument to coordinate budgetary affairs. The assumed legal authority of supranational institutions to use sanctions against recalcitrant states quickly hit against the reality that national governments put sharp limits on the extent they would be subject to the decisions of the EU.

In line with their critique of law and fixed bureaucracy, public managers disputed the viability of the rules-based system agreed at Maastricht to coordinate budgets. Indeed, it was very hard to cut budgets. In national budgeting systems, where spending allocation decisions were distributed throughout different departments, setting an international fiscal target would not automatically translate into reductions. Maastricht or the SGP gave little clue as to how targets would be realised. Verdun describes how, 'when the SGP was agreed upon in 1997, it was not clear at all how it might be implemented' (Heipertz & Verdun, 2010, p. 113). At EIPA, US budgeting expert Aaron Wildavsky participated in a workshop on '*National Budgeting for Economic and Monetary Union*'. In the summary of the workshop, it was observed that while much political energy had been spent on pressing for budgetary restraint at Maastricht, 'relatively little attention has been paid to identifying and analysing concrete measures to make it feasible' (Wildavsky & Zapico-Goñi, 1993). Highlighting the deficiencies in the national policy-making

processes, the authors argued ‘it is not enough merely to formulate tight budgets if there is insufficient capacity in the budgetary system to meet objectives’ (ibid.). For budgeting experts Jürgen von Hagen, Rolf Rainer Strauch, and Mark Hallerberg, the targets of the SGP were insufficient to achieve the politically desired levels of austerity, instead ‘fiscal institutions rather than ex ante fiscal rules are most crucial’ (Hallerberg et al., 2009, p. 19). Similarly to how public managers were criticising law more broadly, budgeting experts were arguing that rather than rules, it was the management practices of governments that would determine the realities of austerity. Hallerberg argued that ‘the sources of fiscal discipline need to be internal to be effective’ (Hallerberg, 2004, p. 7). Austerity was not something that could be proclaimed into existence through rules. It was a question of management.

Given that budgets were considered hard to cut, public managers began to draw attention to the potential accounting gimmickry states may exploit to meet the convergence criteria and join the EMU. It was taken that fiscal rules, by their nature, encouraged gaming (Hallerberg et al., 2009, p. 18). Setting hard rules on public spending was seen by public managers as a false promise. Accounting and finance were more flexible than any fiscal rule could capture. Off-budget financing, manipulating financial derivatives, accounting reclassifications, or extraordinary taxation measures could all manipulate deficit and debt figures to either evade or mimic legally obliged limits. The result would be that states ‘comply with the letter, but not the spirit, of the antideficit provisions’ (Poterba & von Hagen, 1999, p. 2). In approaching the EMU, and the enshrining of legal and constitutional fiscal constraints upon states, public managers were therefore sceptical. Building on a large body of organisational theory into budgeting, von Hagen concluded that ‘the effectiveness of fiscal rules is limited at best, because politicians are likely to find ways to circumvent them’ (Hagen, 2002, p. 265).

Indeed, in attempting to meet the convergence criteria, the 1990s brought with it a slew of controversial and contested budgetary tricks by prospective members of the EMU. In a controversial case, reforms to *France Télécom* in 1996 resulted in a huge injection of funds for the French government to make up a pension shortfall totalling 37.5 billion francs (distributed at 1 billion franc per year). A Eurostat decision that this was a capital transfer and not a financial transaction, and therefore would count towards reducing France’s deficit, provoked a major backlash. For many this accounting trick was a ‘French conspiracy, made up of a French commissioner, a French director of Eurostat, and French staff in Eurostat’s unit B-4, aimed at aiding France’s efforts at deficit reduction’ (Savage, 2007, p. 110). But it was not just France

using these tricks. Likewise Germany, the standard bearer of the balanced budget, participated in accounting tricks to meet the convergence criteria in the 1990s. Most notably, the move by finance minister Theodor Waigel to revalue gold stocks earlier than scheduled ‘provoked the greatest criticism any government suffered for creative accounting in the critical year of 1997’ (Savage, 2007, p. 124). Italy also responded to these tricks. Prodi declared that ‘if others carry out window-dressing we can do the same’ (Lagna, 2016, p. 177). The government used a combination of currency and interest rate swaps, and a controversial ‘eurotax’, to eventually fall inside the criteria. The eurotax in particular was described by Savage as ‘one of the most cynical fiscal policy schemes’ to meet the criteria, involving a one off levy to boost revenues for the crucial 1997 budget, to be returned once inside the EMU (although it never was) (Savage, 2007, p. 130). Indeed, the heavy reliance on derivatives to manage public debt led EU states to being an international accounting anomaly in the 1990s. Except for in Europe, international standards did not favourably count currency and interest rate swaps in the calculation of national accounts (Savage, 2007, p. 153).

Following the adoption of the Euro, the SGP was meant to take over the task of coordinating fiscal policies in the EU. From its beginning the SGP was in crisis. What was meant to limit state debts and deficits through constitution, quickly hit the political and administrative realities that it was both electorally unpalatable and technically difficult to control state spending. The SGP entered into force in 1999, hoping to maintain the commitment of states to reduce public spending as the Maastricht convergence criteria had done in the move to the EMU. The convergence criteria had clear leverage motivating states to stick to commitments. Following the rules, in letter more often than spirit as it turned out, would lead to membership to the coveted EMU. The SGP had no such carrot. Instead, it attempted to overcome the manipulation problems of the convergence criteria through a legalised system of sanctions. The intention was for sanctions to apply automatically. In reality, the SGP was never applied as intended.

The first major blow to the EU’s economic governance tools came in 2001. In the face of an overheating Irish economy, the Commission issued a critical recommendation under the BEPGs to the Irish government over proposed tax cuts in its 2001 budget.¹⁴ The recommendation adopted by the Council in 2001 called on Ireland to take ‘countervailing budgetary measures during the current fiscal year... [to] ensure that no reduction in the

¹⁴ Given Ireland was at the time running a budgetary surplus, such a measure could not have taken place through the SGP

underlying budgetary surplus from 2000 takes place' (Council of the European Union, 2001). The response from Ireland was robust and continued the criticism of European institutions surrounding budgets and sovereignty seen in the ratification process. Framing the issue in longstanding tropes of integration as an incursion into 'Irish national interest and sovereignty', the Irish government mobilised perceptions of the inherent illegitimacy of the EU to make political interventions into domestic economic policy (Meyer, 2004, p. 821). Criticising the BEPGs directly, The Irish Minister for Finance Charlie McCreevy made clear the BEPGs had little relevance to domestic policy making, arguing '[w]e are not bound by the Broad Economic Policy Guidelines because, as their name suggests, they are broad and they are guidelines' (Staunton, 2001).

By 2002, the SGP itself was thrown into doubt. The dotcom recession and rising deficits in Germany, France, and Portugal led the Commission to appeal to the Council to launch proceedings over excessive deficits. Despite growing breaches of the SGP's rules, national governments refused to recognise the legal weight of the SGP and trigger the sanction process of excessive deficits. German Chancellor Schröder declared that, despite its deficit, it would not be aiming for a balanced budget. In May 2003, he stated that his domestic political commitments trumped any international agreements of the SGP: 'A balanced budget by 2006 would require growth rates that I cannot realistically expect... if achieving this aim meant cutting spending as much as revenues are falling, or giving up on the 2005 step of the tax reform, I would not be ready for it' (Heipertz & Verdun, 2010, p. 139).

Similarly in France, the rules of the SGP proved too much to bear compared to domestic political priorities. In 2002, the passage of a French budget, by increasingly unpopular Prime Minister Raffarin, included income and corporation tax cuts and increased military and welfare spending. It was met with consternation by the Commission (Heipertz & Verdun, 2010, p. 133). A Eurogroup meeting in October saw French Finance Minister Mer refuse to amend their budget, triggering 'the most serious rift in the group since the launch of the euro' and threats of an early warning to be issued, which it eventually was in January (Heipertz & Verdun, 2010, p. 133). By the end of 2002, the SGP was on the ropes. Testing the limits of the fiscal rules were the EU's two pivotal countries, France and Germany.

In response to this crisis, the Commission attempted to make noises over adding flexibility to the rules of the SGP. What had only entered into force three years previously as Gill's 'new constitutionalism' or Slobodian's ordoliberal 'encasing' of austerity in law was already

being watered down. The Commission offered to take into consideration the ‘economic rationale’ of the Pact in disciplining states, rather than nominal debt and deficit values (Heipertz & Verdun, 2010, p. 133). In October 2002, Commission President Prodi expressed his own frustration with the SGP straightjacket, declaring it ‘stupid, like all rigid decisions’ (Heipertz & Verdun, 2010, p. 135).

In 2003, the SGP was thrown into full crisis, leading to its effective suspension at the end of the year. The crisis came after the Council refused to accept the recommendations proposed by the Commission in October 2003 to launch steps entering France and Germany into the EDP. In a meeting on 25 November 2003, the Council refused the Commission’s recommendations via a blocking majority of larger states of France, Germany, Italy, and UK (J. Fischer et al., 2007). Rather than adopting the Commission’s recommendations, as was required by the legal steps of the SGP, the Council adopted their own conclusions. The effect of these conclusions was that they ‘effectively replaced the EDP with political pledges’ from France and Germany to keep their deficit below 3 per cent, thereby suspending the SGP as a legal instrument (Heipertz & Verdun, 2010, p. 148). The moment was pivotal for the development of the SGP. Its legal authority was lost, replaced by the discretion of executive exception.

The response of the Commission to the sidestepping of their procedural role in fiscal governance was to refer the matter to the ECJ. The ruling from the Court in July 2004 was double edged. The Commission had appealed to the Court that the Council had to follow the recommendations it issued to launch the SGP’s compliance procedure against France and Germany. The Court, however, decided that the Council had no such legal requirement to adopt the Commission’s recommendations. Nevertheless, the Court rejected the legal validity of the conclusions adopted by the Council. The Court argued that the Council’s conclusions had the intention of replacing the legal steps laid out in the SGP, in terms of reporting deadlines and requirements, with their own politically determined steps.

The case marked a turning point in the SGP. By 2004, the SGP was in tatters as a legal instrument of austerity. The political opposition to supranational intervention in the sacred area of fiscal policy exposed the idea of internationally constitutionalised austerity as illusory. It exposed the managerial and democratic limits to rules-based international governance. Not only were the rules of the SGP administratively redundant in domestic policy, they were politically intolerable. While the instruments of budgetary coordination between EU states fell into disarray

in the mid-2000s, just a few years earlier it was the financial management of the EU's supranational institutions themselves that were in the spotlight.

Crisis in the Commission

Just as the EU's supranational capacity to coordinate the budgets of member states fell apart at the turn of the millennium, the integrity of the supranational European Commission's ability to manage its own budget was thrown into crisis in 1999 with the fraud scandal of the Santer Commission. The resignation and ensuing political crisis bound together the question of extending the management capacities of European institutions with the democratisation of the EU.

The ratification of Maastricht thrust the archaic management structures of the Commission into the political spotlight. The poor state of management in the Commission was not for lack of trying to reform. A series of initiatives had unfolded over the 1980s and 1990s. Few substantive reforms were, however, undertaken as a consequence. Henning Christopher, Commissioner for Personnel and Administration in the 1980s, had launched a series of initiatives 'to improve the quality of management, to devolve greater responsibility to Directors-General and to develop a tier of middle management' but made little progress (Kassim, 2008, p. 656; Schön-Quinlivan, 2011, p. 39). Ironically it was the fraud accused Santer Commission which was 'the first to make administrative questions a main Commission priority' (Kassim, 2008, p. 657). The Santer Commission made a serious effort to launch reform activities. There were three key initiatives in this period, the 1995 Sound and Efficient Management Programme (SEM 2000), the 1997 Modernization of Administration and Personnel Policy (MAP), and the 1998 Designing the Commission of Tomorrow (DECODE).

Despite these efforts at reform, at the end of the 1990s the management structures of the Commission went from an internal technical issue to the largest political scandal the organisation had ever faced. The crisis emerged at the end of 1998 when the European Parliament threatened to not discharge the EU's budget. Allegations of mis-managed and misappropriated funds within the EU budget had rumbled throughout the summer. Near the end of the year, Commission auditor Paul van Buitenen had passed the Parliament a dossier of fraud allegations within the EU budget. Two cases stood out in particular.

First, it was reported that \$1 billion was missing from EU humanitarian aid between 1993-1995 (Buckley & Smith, 1998). The case reflected a classic issue with EU financial

management in the use of off-budget accounting to handle administrative costs. The case was more complicated, however, by the fact that a series of off-budget contracts were found to be 'fictitious', with ECU400,000-600,000 completely untraceable (Buckley, 1998).

Second, and even more sensationally for tabloid headlines, was the case of former French Prime Minister and Commissioner for Research, Science and Technology Edith Cresson. Cresson was accused of nepotism and fraud in the hiring of her local dentist René Berthelot within the Leonardo youth training programme for which his suitability was dubious. The Cresson case cast a shadow across Brussels of sleaze, scandal, and intimidation. In passing details of the Cresson affair, van Buitenen feared for his safety. Writing to his manager, van Buitenen was concerned that his 'internal Commission phone line is under surveillance' by the security office and was convinced that 'I and my family were in possible serious and immediate danger' while in possession of incriminating files (van Buitenen, 1998). Indeed, in a bizarre twist, the Commission security office became embroiled in the scandal. Van Buitenen claimed to have evidence the office was in possession of 'snipers equipment' (van Buitenen, 1998). Rumours circulated Brussels of a security office running amok, acquiring weapons it did not need and operating beyond political control (Buckley, 1999a). Amidst accusations of fraud, publishers snapped up a stream of popular books blasting the European Commission, its inadequate management structures and its officials on the take (Andreasen, 2009; van Buitenen, 2000).

In December 1998, the Parliament refused to approve the 1996 budget and proposed a vote of censure against the Commission, being the only recourse to accountability the institution possessed. The treatment of van Buitenen further infuriated the Parliament. Disputing his status as a whistle-blower, the Commission had suspended van Buitenen and launched disciplinary procedures accusing him of breaching staff regulations. Green MEPs pledged to set up a 'solidarity group in the fight against fraud', publicly backing van Buitenen (Financial Times, 1999a). The Brussels machinery, meanwhile, sought to manage criticism surrounding the fraud allegations that were surfacing. In a note from the UK Permanent Representatives Geoffrey Martin, it was proposed that the Commission should adopt a line in public interviews drawing a strange relativity between the budgetary mis-management of Commissioners and national 'social security fraud' (Martin, 1999).

The Parliament was, however, split on whether to use a seismic censure vote to bring down the Commission. The European Liberals, the third largest group at the time, predominantly called for Cresson's resignation. In January 1999 they tabled a resolution calling

for her to go (Buckley, 1999b). For the Socialists, the parliament's largest political group at the time, this was not sufficient. Instead, the Socialists, who originally tabled the censure motion at the end of 1998, argued any attempt to target individuals would push the Socialists to vote to remove the whole Commission. Socialist leader Pauline Green told the Parliament 'we do not have the institutional right to cherry-pick among commissioners' leaving censure as the only option (Buckley, 1999d). The Socialists were, however, split. The French refused to back any censure motion, while the Germans were divided. The conservative European People's Party group were less eager to press for resignations or censure. Cresson was steadfast on not resigning. Rejecting the accusations, she put it down to politicking ahead of approaching European elections and the 'desire for human sacrifices' surrounding Brussels' well-known and long-standing financial management issues (Buckley, 1999c). In the end, the censure motion went ahead in January. The vote fell short of the required two-thirds majority, receiving only 44 percent of the vote, described by the Financial Times as a only 'bloody nose' for the Commission (Financial Times, 1999b). Diffusing the crisis temporarily, Santer and the Parliament agreed to form a 'Committee of Experts' to investigate the allegations.

When the Committee reported in March, however, time quickly ran out for the Commission. The report was definitive in its judgment. In a 'damning document', the report did not make accusations of fraud, but confirmed a series of budgetary irregularities, mismanagement, an absence of political control, and inadequate mechanisms of financial audit and control (Financial Times, 1999c). In making this case, the report reflected the management deficit already articulated by Metcalfe. The report argued that 'the Commission has seen its direct management responsibility increase substantially' but 'senior hierarchy in particular remains more concerned with the political aspect of the Commission's work than with management' (Committee of Independent Experts, 1999). In response to the report, the Parliament, with the notable exception of the European People's Party group, demanded the Commission resign (M. Smith, 1999). In the end, the Commission took the decision to resign on 15 March.

The resignation set the stage for a remaking of the EU's administrative structures. Internal movements for reform had previously been grounded in improving the Commission's ability to meet the management obligations deepened integration had brought. But management reform had been an internal and technical issue. The effect of the Santer scandal was to transform this. Increasingly, questions of legitimation of a mistrusted Commission were

becoming bound with reforms required to enhance its managerial capacities. Democracy was increasingly implicated in the EU's eyes with management and budgeting reform .

Conclusion

The creation of the EU in 1992 was a major shift in the distribution of sovereign power in Europe. The members of the new EU increasingly looked like they occupied a shared polity. This new polity was peculiar compared to the nation-states that made up its membership. A nationalist opposition to the use of taxpayer money for foreign ventures meant the tax-and-spend budgetary instruments fundamental to national policy-making were denied to supranational institutions in the EU. In contrast, critical scholars have observed how the role of supranational authority within this new polity reflected a neoliberal imaginary of an economic constitution. Rather than developing independent political capacities through budgets, supranational authority was expected to be mobilised in the EU through law and regulation to bind national democracies into market freedom.

As this chapter has shown, however, while the EU was denied the financial means of a supranational administrative capacity, the 'neoliberal' legal instruments they did possess proved unusable. For the same reasons supranational authorities were denied financial resources, national governments refused to be held accountable to supranational rules. In this way, the chapter has shown how rather than being the triumph of neoliberalism in Europe, the EU's peculiar design and fraught beginnings reflected a longstanding dilemma of supranational authority discussed in chapter two.

The chapter has unravelled how this dilemma of supranational authority changed over the history of European integration since the 1950s. I showed how the consequence of the move to the EU was that supranational authorities were asked to do more than ever. The organisational effectiveness of the European Commission, the closest thing the EU has to an executive, had always been a concern since its creation in the 1950s. The difference of the 1990s was that the scale of political responsibilities falling on the Commission's shoulders at Maastricht meant the question of capacity moved from being a technical administrative issue to a major political crisis – culminating in the 1999 fraud scandal of the Santer Commission.

By elaborating the dilemma of supranational authority facing European institutions with the creation of the EU in the 1990s, this chapter has provided the historical grounding

from which to make sense of the turn to ‘governance’ at the end of the millennium. The next chapter will show how remarks of a governance paradigm in the 1990s/2000s reflected how supranational institutions mobilised the social forces and format of public management to respond to the dilemma of supranational authority. The rest of the thesis will subsequently look at how the EU’s new managerial policy instruments were thrown into question by the financial crisis since 2008 (chapter five), but how the governance reforms made to the EU since 2010 have nevertheless deepened a managerial logic (chapter six).

Chapter 4: The 'Governance Turn' To Supranational Rule

Introduction

"We are all benchmarkers now" Jacques Santer, Commission President (Richardson, 2000, p. 26)

The creation of the EU in the 1990s used rules to coordinate the budgetary and macroeconomic affairs of member states within a market and monetary union. Despite much critical theorisation of the EU being premised on the significance of such rules (i.e. Gill's 'new constitutionalism'), as a policy technique rules were quickly found to be of limited use. The SGP was suspended in 2003 amidst resistance from France and Germany battling recession. The problem of rules reflected a dilemma of supranational authority faced by the EU and IOs in general. Supranational rules limiting national spending, rather than common budgetary instruments, had been the closest cooperation that could be agreed amongst the EU's member states committed to deep market integration. But the crisis of the 2000s showed that even these rules were felt to be an intolerable foreign incursion into domestic affairs. Supranational authorities were being asked to do more than ever at Maastricht, but political opposition to the range of policy instruments they could legitimately wield put severe dents in their capacity to govern. The result was a 'management deficit' identified by a European public management community facing EU institutions in the 1990s.

As supranational authority was questioned in the 1990s, the new millennium saw the EU set in motion a series of innovations to policy coordination that mobilised a discourse of governance as a project of reform. The 2000 Lisbon Council's 'Lisbon Agenda' set quantitative targets towards the infamous objective of becoming 'the most competitive and dynamic knowledge-based economy in the world'. The launch of the OMC at Lisbon introduced a new managerial policy instrument that built on a previous dabbling with social policy coordination through the European Employment Strategy. The OMC shifted away from the traditional legislative Community method of negotiated convergence. Instead, the OMC was a voluntary inter-governmental process of benchmarking competitiveness that relied on quantitative indicators to compare governmental performance. The 2001 *White Paper on Governance* attached

a democratising fervour to these changes. The White Paper, and a voluminous literature on governance, emphasised transparency, participation, and managerial effectiveness as the new locus of EU legitimisation beyond ‘peace and prosperity’. A concern with converging European economies and social policies was replaced with an iterative objective of benchmarking competitiveness. Labour was called on to become more dynamic in the face of a globalising economy. Wages would be lowered, labour markets made flexible, and welfare replaced by workfare. The singular authority of national government, or visions of creating a supranational government, was replaced with a more flexible, dynamic, and interactive process of ‘multi-level governance’.

As critiqued in chapter one, critical literature on the EU often equates ‘EU governance’ with a neoliberal social policy. As chapter three revealed, however, a managerial policy perspective touched the core of economic integration in the EU. A public management perspective on European integration built on a premise that law was too inflexible to manage the Single Market and EMU. The public management community saw techniques of benchmarking or flexible network-based regulation as a solution to the EU’s ‘management deficit’ in general, rather than exclusively in social policy. Indeed, one of the first scoreboards used in the EU was not in social policy but in compliance with the Single Market, given the known failures of domestic legal transposition (European Commission, 1997a). Similarly, prominent policy analyst Jonathan Zeitlin developed a concept of ‘experimentalist governance’ that spoke to not just social policy but a general transformation in the EU’s policy architecture across market, product, and welfare regulation (Zeitlin, 2015).

The fact that managerial techniques touched not only an additive social policy as the hedging of hegemony, but also the fundamentals of economic integration, speaks to how public management had a more transformative impact on the form European integration took than critical scholarship on the EU often captures. Building on this point, this chapter shows how the governance agenda spoke to the EU’s attempt to build supranational authority along managerial lines and the mobilisation of the social forces of public management to do so. Rather than distributing resources or controlling expenditure, that the previous chapter demonstrated the EU struggled at, the European Commission recreated itself at the turn of the millennium as a centre of strategy and information processing drawing on a lineage of public management. This required reformatting the work of European institutions into a performance monitoring machinery to feed strategic decision-making processes and empowering a new managerial class

within the institutions of the EU. The chapter shows this development across three sites of reform in the 1990s/2000s - benchmarking competitiveness through the OMC; the reform of the SGP in 2005; and the Kinnock management reforms to the European Commission 2000-2004.

4.1 Benchmarking Competitiveness

As Santer admits in the opening quote, benchmarking competitiveness is everywhere in the EU. Benchmarking competitiveness was a pivotal innovation that epitomised the governance agenda in the 1990s. It was most prominently proposed by the corporate executives of the ERT through a series of workshops and publications in the mid-1990s (ERT, 1996; European Commission, 1996, 1997b). The 1993 *White Paper on Growth, Competitiveness, and Employment*, which called for a remaking of the EU social model post-Maastricht, similarly built on a framing of competitiveness (European Commission, 1993). This fed strongly into the 2000 Lisbon Agenda, where benchmarking competitiveness became a key discourse in the governance of social and economic policy-making in the EU.

The correlation between benchmarking competitiveness and efforts to develop a European social policy to balance market integration led scholars to conflate the governance agenda with neoliberalism. Indeed, governance theorists themselves were apt to make an argument that benchmarking competitiveness was a Polanyian makeweight to the marketization of Maastricht. For Rhodes, a major governance theorist, the OMC was the ‘Maastricht’ for a European welfare state - using new managerial instruments to propel social policy integration just as Maastricht had done for monetary and economic policy (Rhodes, 2000). But by conflating the governance agenda with social policy, this perspective blurs the broader significance of the managerial transformation of the EU in the 2000s. In particular it elides the managerial roots to benchmarking competitiveness. It was not straightforward to mobilise managerial techniques of benchmarking competitiveness as an instrument of social policy. Benchmarking competitiveness had been a management trope since the 1960s. It was, however, usually tied to industrial policy and not social policy. Moreover, the technique of benchmarking was never imagined to be a regulatory instrument as the EU created with the OMC (Arrowsmith et al., 2004). Rather, the ERT had proposed benchmarking as a peripheral aid to decision-makers.

Making sense of this, in this section I will argue that social policy was just one area where a more general managerial turn to EU governance became visible. The EU's inter/supranational institutions appropriated benchmarking competitiveness from its industrial origins and applied it to social policy in order to develop a means to intervene into sensitive economic and social affairs following the heated ratification of Maastricht. The significance of this is to reveal how the reformatting of EU governance along the lines of public management has been a key way in which the EU's institutions have built themselves a stake in policy-making.

Managerial Origins of Benchmarking Competitiveness: From Industrial to Social Policy

Benchmarking national competitiveness emerged in the 1960s as a concept expanding the gaze of management theory from the firm to the state. William Davies highlights its origins in the 1960s work of Richard Farmer and Barry Richman (Davies, 2014, p. 120). Their 1965 book *Comparative Management and Economic Progress* was a major shift in evaluating industrial performance (Farmer & Richman, 1965). For Farmer and Richman, industrial performance was not just a question of a firm's behaviour and organisation. It was a question of public policy that management had the answers to. Later management theorists built on this work (Porter, 1990). Taking perhaps the most expansive view was Klaus Schwab. Most infamously, Schwab established the yearly elite summit the World Economic Forum (WEF), originally the European Management Forum. Since 1979, the WEF has published reports benchmarking national competitiveness. In Schwab's hands, competitiveness put an almost unlimited range of social and political issues into the rubric of managerial evaluation (Davies, 2014, p. 126). But Schwab was an exception. For the most part, national competitiveness specifically referred to industrial policy. This meant the state structuring of industry, the ability of firms to respond to technological innovation, and the uneven national responses to globalisation. Government was here viewed as a framework setter for industrial innovation, not an object itself that needed reform in line with competitiveness.

The idea of national competitiveness gained significant political traction in the 1980s and 1990s. Numerous commissions and reports were established by governments and IOs around the world, desperate to discover their own sources of national industrial competitiveness at a time of economic slowdown. In the US, the 1985 *Commission on Industrial Competitiveness* was established to, in Reagan's words, determine how US industry could 'transform new knowledge and innovations into commercial products, services and manufacturing processes' (The New

York Times, 1983). Likewise, the OECD's 1991 report *Technology and Productivity: The Challenge for Economic Policy* made competitiveness a question of responding to the uneven spread of technological innovation under a process of globalisation (OECD, 1991).

This development was mirrored in the EEC. The earliest institutional discussion of European competitiveness was a 1982 report *The Competitiveness of the Community Industry* (European Commission, 1982). The report was hesitant about the notion of competitiveness and hostile to an expansive understanding of it. It hedged over a 'widely-held but vague general feeling' that 'the competitiveness of Community industry' was 'in danger of "losing the race"' as traditional industries decline, patterns of world trade changed, and new technologies arose (European Commission, 1982, p. i). The report adopted a narrow definition of competitiveness, focused on industrial issues of 'export market shares; specialisation of industrial structure; costs and exchange rates; profitability and the financial structure of industry; industrial investment; the structure of the industrial labour force' (European Commission, 1982, p. 2). Explicitly side-lined in the report was Schwab's modish perspective, criticised for having 'used as many as 240 different criteria, many of which are unquantifiable' (European Commission, 1982, p. 16).

By the 1990s, benchmarking competitiveness had entered the mainstream of the EU. The ERT was crucial for this. Most notably, the ERT's 1993 report *Beating the Crisis* pushed competitiveness as a central orienting principle for the post-Maastricht EU (ERT, 1993). As Richardson explains, 'competitiveness was and remained the spearhead of ERT activity' after the Single Market was achieved (Richardson, 2000, p. 8). The 1990s saw the ERT prominently promoting benchmarking competitiveness in the EU through a series of seminars for the Commission running around the same time as the FSU's Governance project. The culmination of this was the report *Benchmarking for Policy-Makers* (ERT, 1996). The proposal was readily adopted by the Commission, who issued two papers proposing benchmarking's implementation (European Commission, 1996, 1997b).

Alongside this, the 1994 Essen Council created a 'high-level group' to address the question of competitiveness within Europe. The 'Competitiveness Advisory Group' (CAG) was stocked with key figures of the ERT such that it 'effectively duplicates the ERT's voice' (Balanyá et al., 2000, p. 20). While not the progenitors of a competitiveness discourse, the ERT and CAG were pivotal in solidifying the discourse in the EU. The work of the CAG could be 'read as a blueprint for the Lisbon Strategy', that made competitiveness a key EU strategic focus (Holman,

2012, p. 323). Indeed, Professor Maria João Rodrigues, architect of the Lisbon Strategy, was a member of the CAG.

A shift was taking place though in the definition of benchmarking competitiveness through the work of the ERT and CAG. Whereas benchmarking competitiveness had previously focused squarely on industrial policy, a new layer of welfare and employment was added to discussions. The reason for this was that the context had changed. Unemployment emerged as a major political issue over the 1990s. The Single Market had promised to unleash a wave of economic growth to beat the malaise of Eurosclerosis. But by the turn of the millennium, Europe's biggest economies found themselves struggling with ingrained unemployment and troubled public finances.

Alongside this dire economic picture, there was a transformation post-Maastricht in the political landscape of Europe. Conservative governments dominated the negotiation of the Single Market and the terms of Maastricht. In the 1990s, however, social democratic parties swept into office across Europe. These new social democratic governments were increasingly concerned with responding to the employment and growth crisis facing Europe. Their proposals were, however, not like previous social democrats. Romano Prodi's 'Olive Tree' alliance in Italy, Tony Blair's 'Third Way' New Labour in the UK, and Gerhard Schröder's 'Die Neue Mitte' in Germany were redefining social democracy, replacing welfarism and corporatism with workfare and public-private partnership. In relation to the EU, Blair and Schröder had launched a joint platform ahead of the 1999 European elections (Blair & Schröder, 1998). In it, they called for a focus on employability not employment targeting, labour market activation not welfare, and the abandoning of moves towards European convergence. Invoking the language of NPM, the joint platform argued the 'state should not row, but steer'. Translated into the institutions of the EU, the Blair-Schröder platform called for inter-governmental coordination rather than convergence, arguing they 'do not advocate a single European model' but a new managerial agenda focused on flexibility, performance, and effectiveness (Pollack, 2000).

Indeed, efforts to establish a European social policy had proven difficult. Under Delors, convergence over welfare and labour arrangements had been the objective. Alongside Delors' drive for the Internal Market, the European Social Dialogue was relaunched. The Dialogue brought together employers and labour organisations to develop social policy alongside deepening market integration (Smismans, 2008b). It eventually culminated three directives on parental leave (1997), part time workers (1997), and fixed-term contracts (1999) (Goetschy,

1999). The difficulty of finding consensus on harmonised social standards, and the lack of political will, meant social policy convergence lagged behind the rapidly implemented Single Market and Monetary Union programme (Scharpf, 2010).

It was in this context of entrenched unemployment, the rise of a Third Way social democracy invested with a modernising managerial zeal, and a frustration with existing European policy tools, that benchmarking competitiveness was turned to. Benchmarking competitiveness was not a functional consequence of this context. Rather, it was faced with this context that benchmarking competitiveness was appropriated from its origins in industrial management to solve a new problem of EU social policy.

Competitiveness over the 1990s shifted away from industrial policy towards issues of welfare and employment. A hint of what was to come was visible already in 1986. A European Commission report on *Improving Competitiveness and Industrial Structures in the Community* put social and employment issues in the same frame as competitiveness. The report made the objective of industrial competitiveness not winning a global race of technological innovation, but to also ‘offer a more effective response to social and employment concerns’ (European Commission, 1986). The shift from industrial to social issues was most clearly laid out in the 1993 *White Paper on Competitiveness*. Justifying the paper, it was said that ‘the one and only reason is unemployment’ (European Commission, 1993, p. 9). The Paper described a ‘triangular relationship growth-competitiveness-employment’ whereby ‘for the level of employment in the Community to improve, firms must achieve global competitiveness’ (European Commission, 1993, p. 57). While the CAG reports continued to frame competitiveness around an external race of technological innovation, this triangular relationship was also prominent in their reports. One report argued that ‘competitiveness should be seen as a basic means to raise the standard of living, provide jobs to the unemployed and eradicate poverty’ (Ciampi, 1995, p. 7). The Commission reinforced this point in its 1996 report on benchmarking, drawing a two way line between industrial competitiveness and labour markets:

‘A better functioning labour market is generally acknowledged to be a vital factor for the competitiveness of European industry, just as the competitiveness of industry is, in itself, a determining factor for the level of employment’ (European Commission, 1996, p. 11)

Competitiveness had traditionally looked into the industrial ‘framework conditions’ of firm performance. Amidst the employment crisis of the 1990s, however, an additional layer was added. Competitiveness referred not just to the framework conditions for industrial performance

for its own sake, but how industrial performance was a vehicle to improve standards of living and employment levels.

The Managerial Reformatting of EU Policy Coordination

Building on the changing definition of competitiveness, the associated policy instrument of benchmarking was repurposed at the end of the millennium in a way that reformatted EU policy-making along managerial lines. For the ERT and earlier EU policy-makers, benchmarking was on the margins of public policy. In contrast, in the hands of EU policy-makers and the social democratic governments at the 2000 Lisbon Council, benchmarking was generalised into a major regulatory instrument coordinating EU labour and welfare policies (Arrowsmith et al., 2004). Making this shift, the 2000 Lisbon Council introduced a ‘new open method of coordination’, cemented in the 2001 *White Paper on Governance*. Alongside this, the Lisbon Agenda adopted at the 2000 Council set broad objectives for development against the infamous goal to ‘become the most competitive and dynamic knowledge-based economy in the world’.

Crucially, in invoking competitiveness now defined in social terms, the Agenda targeted not just market ‘structural reform for competitiveness’ but also ‘modernising the European social model’ (European Council, 2000). A follow-up report from André Sapir (economist and advisor to Commission Presidents Prodi and Barroso) made this connection between compulsions for competitiveness and welfare reform most clear. The report argued the purpose of Lisbon was ‘a massive change in economic institutions and organisations’ (Sapir, 2003). Elaborating his thinking, Sapir wrote elsewhere how ‘[t]he greatest challenge for the European economy is to become sufficiently flexible... This requires, above all, reforming labour market and social policies’ (Sapir, 2006, p. 370). From its original focus on inter-firm comparisons for industrial innovation or international comparisons of industrial policy, benchmarking at Lisbon became a central mechanism to coordinate the social policies of member states towards a broader conception of competitiveness.

The significance of benchmarking competitiveness at Lisbon and through the OMC was how social and welfare coordination in the EU was reformatted along the lines of public management in a way that gave supranational institutions a stake within policy-making. The OMC worked through guidelines and targets based on negotiated ‘quantitative and qualitative indicators and benchmarks’ (European Council, 2000). The traditional legislative method for social policy in the European Social Dialogue had proven slow and fraught with political

difficulty. Likewise, a series of summits on social policy and employment in the late 1990s had surfaced a frustration with convergence as a policy goal. The OMC provided a means to develop a European stake in social policy through the language of competitiveness and the technique of benchmarking by stepping outside of the EU legislative process and into a field of extra-institutional, intergovernmental coordination according to a logic of strategic performance management. This extra-institutional push of governance was recognised as a tension in the White Paper on Governance, hesitating that the OMC ‘should be a complement, rather than a replacement, for Community action’ (European Commission, 2001). The OMC would, however, go on to dominate social policy coordination, shifting it from the convergence sought by Delors to strategic performance management of Third Way social democracy.

Originally, the Lisbon Agenda was an intergovernmental affair. The OMC and other benchmarking activities largely took place in the impenetrable and opaque sub-committees of the Council. To this extent, the Commission was somewhat shut out of the Lisbon Agenda. Nevertheless, the Commission increasingly attempted to take charge of the Lisbon Agenda as it developed. Most pivotally, a relaunch of Lisbon in 2005 was directed by the Commission as a means to increase its involvement in the governance of social and economic affairs (Paul Copeland, 2012, p. 5). Adopting a strategy that had worked well for the Single Market programme, the Commission relaunched Lisbon via two high-level groups, resulting in the 2003 Sapir and 2004 Kok Reports (Kenneth A. Armstrong, 2012, p. 213). Reflecting the rightward shift of the Commission under incoming President José Manuel Barroso, the long list of goals set at Lisbon was refocused onto the overarching objective of labour market reform and Lisbon was rebranded as the *Partnership for Growth and Jobs* (European Commission, 2005).

For the Commission, this rebranding came with an assertion of its political control over the growing managerial orientation to EU policy-making. The new agenda was more integrated into existing reporting processes the Commission controlled and refocused on issues that suited the political proclivities of the Barroso Commission. The BEPGs and Employment Guidelines were brought together into a single reporting process, while the more social policy oriented OMsC were side-lined (Paul Copeland & Daly, 2015, p. 142).

This construction of supranational authority through performance management has often been played down because the core of the EU is critically understood through a neoliberal agenda for a Hayekian federalism of internationally constitutionalised markets. Drawing attention to the managerial origins of benchmarking competitiveness though reveals the

governance turn implied a considerably different vision of governance to neoliberalism. Whereas neo/ordoliberals emphasised rigid rules for a legitimate market order, benchmarking competitiveness advocated a flexible and iterative form of governance based on information-led strategic decision-making. The FSU project on governance offers perspective on this vision of intervention that permeated the OMC. In the FSU project on governance, flexible techniques were heralded as offering a way to overcome the stasis of the bureaucratic state. Within the FSU project discussed in the previous chapter, this vision was termed ‘proceduralism’. Proceduralism meant facing the crisis of implementation and rationality by opening a ‘dialectic between the rule and its application’ through a ‘proceduralisation’ of governance (De Schutter et al., 2001, p. 41). By placing rules and their implementation in an interactive relationship, proceduralisation meant ‘a putting in place of mechanisms which enable learning processes to be generated at a collective level which can cope with the uncertainty’ of the world (De Schutter et al., 2001, p. 43).

Benchmarking was imagined as such a tool for the proceduralisation of governance that the FSU proposed. The ERT, for example, saw benchmarking as a policy tool that dealt with the complexity and uncertainty of a ‘continually changing world’ (ERT, 1996, p. 5). It was an instrument that could confront such complexity through a tool that ‘is non-stop. It is a tool to bring about the continuous improvement and adaptation’ of policy (ibid.). Benchmarking as it was imagined in the EU was a legacy of the cybernetic-inspired search for managerial instruments to aid constant adjustment in the face of uncertainty. It was not an instrument of neoliberal market order. Testifying to this, the ERT elaborated that ‘it is no good setting targets because they will move in tune with constant change in the world outside. What matters is your position on the journey of change and improvements’ (ERT, 1996, p. 5). Similarly, as Lisbon’s architect Rodrigues elaborated, governance was meant to ‘organise a learning process at the European level in order to stimulate exchange and the emulation of best practices as well as to help member states improve their own national policies’ (Rodrigues, 2002, p. 23). These were instruments that emphasised a dynamic and responsive approach to decision-making that built directly on the institutionalist policy analysis of public management scholars like Scharpf, Metcalfe, or Majone.

The significance of this is to show the importance how the format of public management underpinned the ‘governance turn’ in the EU. Neoliberals had foreseen that market integration would mean a curtailment of a Brussels bureaucracy. But it was the management deficit that loomed over EU policy-makers in the 1990s. The turn to benchmarking

competitiveness offered the EU a technique and framing (appropriated from management theorists) that would broaden the reach of European institutions into areas of economic and social coordination in such a way that dealt delicately with the political backlash to expanded EU authority post-Maastricht.

Managerialising Democracy

While recasting economic and social issues as managerial concerns, this was not straightforwardly a process of depoliticisation or technocracy. Rather, the turn to governance was explicitly framed as a project of democratisation. Indeed, Commission President Romano Prodi argued that ‘when we speak of governance we are, in fact, discussing democracy’ (Prodi, 2001). Likewise, for the architects of the Lisbon Agenda, the OMC, and the *White Paper on Governance*, a more flexible managerial approach was meant to rejuvenate democracy in the EU. For political operator Pascal Lamy, the political backlash to Maastricht meant technocracy would no longer cut it. Ross reports Lamy as arguing ‘Now St Simonianism is finished. It can’t work when you have to face democratic opinion’ (Ross, 1995, p. 194). Rather than the stale rules and regulations agreed by experts in basement committee rooms, the benchmarking and evaluation of the governance turn was meant to throw open policy making to participatory consultation exercises and the radical transparency of quantitative indicators. Rather than the sanctity of traditional expertise, governance was built from a redefinition of democracy as managerial evaluation.

This managerial redefinition was clearly visible in the work of two prominent public managers discussed in the previous chapters - Fritz Scharpf and Giandomenico Majone. Public management discussions of the democratic implications of European integration in the 1990s put legitimacy in cybernetic terms of input and output (Scharpf, 1970, 1999). The framing itself was uncontroversial. Input referred to who participates in the making of public-policy. Output referred to the performance or quality of governing institutions. But this common sense framing hid a managerial inflection that has come to redefine the question of legitimacy in the EU.

Output legitimacy for public managers was not simply adhering to a republican sentiment of the common good, nor a utopian promise of ‘peace and prosperity’. Rather, it was grounded in a managerial assessment of adherence to KPIs. Majone’s description of output legitimacy, for example, reads as an NPM manifesto: ‘clear and narrowly defined objectives; accountability by results; strict procedural requirements; professionalism; transparency; public

participation; and even inter-agency rivalry and regulatory competition' (Majone, 2002, p. 5). Output legitimacy meant analytically-determined effectiveness. This bundling of managerial effectiveness and legitimacy was also prominent in the FSU. The major report of the FSU's 'Governance Project' argued that one must 'reject the idea that a conflict exists between the effectiveness of a rule and its legitimacy in the eyes of those it affects... since what has no legitimacy cannot be effective, and what is ineffective cannot be maintained on the sole pretext of preserving vested interests' (De Schutter et al., 2001, p. 18).

The equation of output legitimacy and managerial effectiveness was seen as particularly relevant for the EU. In discussing EU democratic reform, Majone disputed the predominant concern with bolstering traditional democratic institutions such as the European Parliament (Follesdal & Hix, 2006). Instead, he argued 'there is an urgent need to re-set the standards by which we assess the legitimacy of European integration and of the institutions which guide it' (Majone, 1998, p. 5). For Majone, democratic legitimization of the EU could not be compared to its national counterpart because 'the process of European integration is inherently non-majoritarian' (Majone, 1998, p. 7). Integration was cast as a process of regulatory cooperation that was, for Majone, concerned with efficiency and effectiveness. The benchmark of the EU's legitimacy could not, therefore, be found in popular control. Instead, legitimacy was to be grounded in the analytically determined effectiveness of its output and the managerial accountability of its institutions.

While emphasising that the EU's primary legitimating mechanism was managerially determined output, Majone put a clear limit on the extent to which this could apply. Majone argued that non-majoritarian output legitimacy was only relevant for areas of pareto-efficiency, where all would be affected equally. As soon as questions of distribution were at stake that involved transfers from one group to another, Majone argued that output legitimacy (and hence EU action) was unacceptable. Majone wrote how redistributive policies can be legitimated only by majoritarian means and thus cannot be delegated to institutions independent of the political process' (Giandomenico Majone, 1998, p. 28). For Majone, this meant that redistributive policy must remain the province of national governments: the space of parliaments, elections, and public opinion. As came out in the debates on Maastricht in the 1990s, budgeting and welfare redistribution was an issue seen as intimately bound with the liberal democratic nation-state. Redistribution could only be decided by majoritarian means, not regulatory.

The trouble with this was that benchmarking competitiveness was being repurposed in the EU to intervene in the areas that Majone disputed public management could legitimately stretch. Offering a solution to this, and in contrast to Majone, Scharpf suggested that a managerial interpretation of legitimacy was possible for redistributive issues by invoking a principle of feasibility. For Scharpf, economic integration and the threat of capital flight it brought was said to be putting a strain on the viability of welfare states (Scharpf, 1977). As a consequence, while an expansionist social policy might be popular, its infeasibility within the EMU meant 'democratic self-determination had lost its effectiveness' (Scharpf, 1997, p. 28). This meant that whereas more generous welfare policies were popular, nation-states under a condition of economic integration were increasingly unable to deliver them.

The seemingly obvious solution to this problem for Scharpf was to increase 'the capacity for market-correcting measures of positive integration at the European level' (Scharpf, 1999, p. 71). If popular welfare policies could not be effectively pursued domestically, then the European level at which the constraints had been created through market integration in the first place should be mobilised to compensate. The trouble for Scharpf was that while he saw market-correcting measures were required at a supranational level, he argued that it was impossible to legitimate them at that level along the majoritarian lines Majone argued were necessary (Scharpf, 1997, p. 29).

Scharpf's solution to this was to argue that the benchmark of effectiveness could equally legitimate redistributive policies. Scharpf recognised that this perspective 'seems to point in exactly the opposite direction from the one suggested by Professor Majone' (Scharpf, 1997, p. 29). By including a criterion of 'effective fate control' in conceptualising democratic legitimacy, Scharpf argued that constrained options make majoritarian rule largely a fallacy if presented choices cannot actually be delivered (Scharpf, 1997, p. 19). As a consequence, in determining welfare and economic policies, majority decisions were of lesser importance than more analytically determined questions of feasibility and the 'technical quality of policy choices in the light of feasible alternatives' (Scharpf, 1997, p. 29). What this meant was that output legitimacy, in terms of policy effectiveness as determined by the analyst, could also be stretched to fundamental issues of redistribution and welfare that Majone explicitly sought to remove from the table.

Scharpf thus gave the EU a set of legitimisation claims through which to pursue social policy through a managerial format of benchmarking competitiveness. By placing the legitimacy

of redistributive policy as a question of analytically-determined effectiveness, rather than majoritarian decision, Scharpf argued the EU should be grounded in a managerial understanding of democratic governance. The argument of Scharpf proved persuasive in setting the coordinates of EU legitimisation claims for the managerial changes made at Lisbon. In a book edited by the author of the Lisbon Agenda (Maria João Rodrigues), Mario Telò argued that ‘the “Lisbon strategy” is based on the conviction that the efficiency of economic and social policies is a worthy criterion of legitimacy for the EU’ (Telò, 2003, p. 263). Just as benchmarking competitiveness was remade as a technique and agenda to intervene in welfare and employment issues, managerial effectiveness was recast as a criterion of legitimacy for interventions into redistributive affairs. This was not the technocracy of a Brussels bureaucracy. Nor was it the legal order of neo/ordoliberals. The EU’s new managerial regime appealed to constantly adjusting performance indicators for its legitimacy. Democracy had been managerialised.

4.2 The SGP as a Planning Tool

Despite the explosion of scholarly interest in benchmarking instruments like the OMC since 2000, for much literature they have always been bracketed off as a supplementary and exceptional development at the margins of EU policy making. Compared to the hard law of the Single Market and the strict international constitutional rules of the SGP, experiments with quantitative benchmarking are often seen as an add-on in the field of social policy. Van Apeldoorn, for example, writes that ‘EU [social] governance indeed remains limited to policy coordination through benchmarking, whereas in the case of several policies deemed critical for achieving ‘competitiveness’, ‘old-fashioned’, ‘hard’ supranational law-making is still preferred’ (van Apeldoorn et al., 2009, p. 30). Meanwhile, Kelemen describes how, ‘in core areas of EU competence, such new modes of governance will remain of little significance. They will be overshadowed by the persistent tendency of the EU to rely on judicial enforcement of strict legal norms’ (Kelemen, 2012, p. 31). The managerial tools of the governance turn have thus been bracketed off in the literature as peripheral and weak in remaking the EU. They are seen as a testament to the EU’s suppression of the progressive use of public finance, rather than anything significant that deviates from it.

There is, however, a notable oversight in these readings. Managerial instruments of benchmarking were not supplementary to traditional methods. They arose from a deeper concern of public management that traditional legal instruments were no longer fit for purpose, and especially not fit for the peculiar circumstances of the EU. As such, the governance turn extended far deeper than social policy, even if it was expressed most prominently in this field. Rather, the format of public management touched the very fundament of neoliberal integration – the rules of the SGP.

The ECJ case discussed in the last chapter triggered a reform of the SGP in 2005. States were unhappy with the rigidity built into the rules of the SGP. The Commission and ECB, meanwhile, were dissatisfied with the unenforceability of the legal procedure. The response to these issues was to introduce greater flexibility into the SGP. The disciplinary procedure would be loosened and extended. The Commission would take more issues into account in determining ‘excessive’ deficits. At first sight, the effect of these changes was a weakening of the SGP. For Waltraud Schelkle (2009), however, the reforms of 2005 did not weaken the SGP. They changed its logic. What was previously a rules-based instrument governing a perceived moral hazard risk became a mechanism of fiscal coordination concerned with the ‘sustainability of public finances’ (Schelkle, 2009, p. 834). To this extent, Ben Clift argues the SGP has increasingly resembled French *dirigisme* rather than its ordoliberal foundations (Clift, 2006).

I argue this transformation to the SGP built on a public management diagnosis that fixed rules were unenforceable and, more broadly, law was an inadequate instrument to pursue austerity. Through the 2005 reforms to the SGP, states would not be held to nominal rules on the size of their debts and deficits. Instead, they would be required to open their books to much greater scrutiny from European institutions to assess the long-term ‘sustainability’ and ‘quality’ of state budgets. Similarly to the effect of benchmarking competitiveness on managerialising social policy, the SGP reforms recast budgetary coordination from contentious questions of expenditure control to a managerial issue of fiscal performance. In this way, the EU’s supranational institutions were remade in relation to fiscal policy from a weak legal authority failing to enforce the EU’s rules, to managerial planners of Europeanised fiscal coordination. As such, what ironically came out of national government opposition to supranational institutions intervening in domestic budgeting via the rules of the SGP was an empowerment of the Commission as a site of information processing and strategic planning.

Reforming the SGP

The crisis of the SGP in 2004 launched a ‘veritable industry of SGP therapists’ (J. Fischer et al., 2007, p. 4). The reform process unfolded over a series of Economic and Financial Affairs Council (ECOFIN) and European Council meetings and Commission communications. Reflecting on the impending Court judgement, a 24 June 2004 communication *Public Finances in EMU 2004* began the process of considering changes, arguing that ‘the effectiveness of economic governance has suffered from the developments in 2003’ (European Commission, 2004b, p. 62). A further communication from the Commission on 3 September 2004 *Strengthening Economic Governance and Clarifying the Implementation of the SGP* laid out a number of the terms that would ultimately be agreed (European Commission, 2004a). This was discussed at a Eurogroup meeting 7-8 March 2005. No agreement was reached here but the meeting triggered a rebuke from the ECB (Heipertz & Verdun, 2010, p. 163). In a statement on 21 March 2005, the ECB declared it was ‘seriously concerned’ with proposed changes to introduce flexibility into the SGP, arguing that ‘it must be avoided that changes in the corrective arm undermine confidence in the fiscal framework of the European Union’ (ECB, 2005). The ECB’s unheeded demand to strengthen the automaticity and simplicity of fiscal rules has been a consistent theme through the life of the SGP. While they shout rules and sanctions, fiscal governance in the EU has developed along the lines of planning. The European Council conclusions in March 2005 adopted an ECOFIN report *Improving the Implementation of the SGP* reforming fiscal governance, which was legally incorporated into the regulations and code of conduct of the SGP in June 2005 (European Council, 2005).

There were four major changes made to the SGP. 1) More focus was placed on debt and sustainability, rather than a rigid deficit criterion. 2) The objective of ‘close to balance or in surplus’ was replaced by country-specific ‘Medium-Term Objectives’ (MTO) for debt and deficit reduction. 3) Country-specific economic circumstances were considered in the EDP, thereby making the procedure tailored to individual country assessments rather than an automatic legal process. 4) Enhanced surveillance and action were introduced at the preventive stage of the SGP.

Sustainability of Finances: Broadening the Fiscal Gaze

A major call of SGP reform was to focus on the sustainability of finances and not just the quantitative level of debts and deficits. The 2004 Commission communication saw a need

for ‘an increased focus on safeguarding the sustainability of public finances’ (European Commission, 2004a, p. 4). The call came from a desire to take into consideration various exceptional circumstances and economic developments faced by the member states in the handling of their public finances. ‘Sustainability’ offered a more complex approach to governing state budgets. It focused on a longer time horizon and budgetary composition, rather than just headline nominal debt and deficit figures. In addition to regular economic fluctuations, the impact of structural reforms and ‘implicit liabilities’ was deemed particularly relevant by European authorities in adjudicating sustainability (European Commission, 2004a).

The proposal to focus on sustainability and not nominal targets was entirely logical in terms of getting a full picture of the state of public finances as a means of resisting the rigidity of the SGP’s rules. And yet, the effect of opening up the composition of public finances to deeper scrutiny paradoxically went against the premise of national opposition to supranational intervention into fiscal affairs. Proving state finances were in better shape than nominal debt and deficit figures might reveal required much more supranational intrusion into studying domestic budgets according to an indefinite criterion of ‘sustainability’.

Paramount in the push to consider public finances in light of implicit liabilities and structural reforms was the question of pensions. The *France Télécom* case discussed in chapter three had revealed the gimmickry of states using pension reforms to receive immediate deficit reducing cash injections but taking on longer term implicit liabilities of pension obligations. The shift in 2005 attempted to tackle this by focusing on the structural (accrual rather than cash) deficit ‘net of temporary factors and one-off measures’ (R. Beetsma & Oksanen, 2007, p. 11).

Other arguments to broaden the SGP to consider budgetary composition came from Central and Eastern European governments. These governments were concerned that the SGP did not consider how short term costs of pension structural reform could mean longer term sustainability. These countries had undergone a rapid and extensive privatisation of their pension systems at the turn of the millennium (Orenstein, 2008). They had moved from publicly funded systems with large implicit liabilities to multi-pillar models that, in the short term, increased their deficits but, they felt, would improve the longer-term sustainability of public finances. As a result, countries of Central and Eastern Europe were particularly concerned with implicit liabilities and structural reforms being considered in the SGP. Doing so would allow them to not fall foul of SGP rules that were squarely concerned with nominal debt and deficit values (Heipertz & Verdun, 2010).

The effect of the shift to ‘sustainability’ by taking country specific circumstances and implicit liabilities into account in the SGP was to expose member states to far greater levels of budgetary scrutiny from European authorities than under the nominal rules of the early SGP. The Commission described how under the SGP’s reformed Code of Conduct the submission of ‘detailed government expenditure and revenue account... has now become fully mandatory, while in the past only total revenue and expenditure, interest and balances were’ (European Commission, 2006). These ‘detailed accounts’ of expenditure touched almost the entirety of government policy. The Commission described how it used a ‘relatively broad definition of net implicit liabilities’ that would analyse vast and fundamental areas of redistributive policies like ‘pensions, health and long-term care, unemployment benefits and education’ (European Commission, 2007, p. 92). Indeed, by design the Commission’s fiscal gaze had to cover the entire budget in considering its sustainability. In taking into consideration country-specific issues to calculate budgetary sustainability, Servaas Deroose and Sven Langedijk described how the Commission could not remove anything from the table lest that budget area become a channel for processing funds, akin to the gimmickry of the 1990s:

‘The Commission does not favour excluding certain budgetary items from the budgetary surveillance process. Such suggestions would dramatically weaken the Pact. Any such exclusion from surveillance would lead to a bias towards certain expenditures. Governments would have an incentive for “overspending” on expenditures that are exempt from fiscal surveillance’ (Deroose & Langedijk, 2005, p. 19)

The move to acknowledge implicitly liabilities and country specific circumstances had come from an intention to limit European intervention into national budgeting – both in terms of the expenditure control of the SGP’s early years but also the idea of a supranational fiscal capacity discussed since Maastricht. Ironically though, given the resistance to financially empowering supranational institutions, the 2005 SGP reforms empowered the Commission to analyse the contents of national budgets. The building of a sustainability criterion into the SGP gave European institutions a huge new stake in the fiscal affairs of member states – but not one traditionally recognised. The Commission was denied a financial capacity of its own and had its wings clipped as a legal authority in compelling states to meet fiscal rules. But by being given access to a huge swathe of budgetary data, the Commission was empowered as a managerial planner in terms of its information processing responsibilities.

Passing Judgement on Budgetary ‘Quality’

Alongside sustainability, the SGP reforms called for a focus on ‘quality’. Whereas sustainability opened the door to an information processing capacity for the Commission through the scrutiny of state budgets, ‘quality’ allowed European authorities to pass normative judgements on budgetary composition. As the SGP became about planning rather than expenditure control, judgements over budgetary ‘quality’ empowered the Commission as a centre of strategy for Europeanised fiscal policy.

The issue of budgetary quality emerged out of the context of recession and unemployment in the 1990s that underlined the broader turn to the governance agenda. Concerned about high unemployment, the Lisbon Council Conclusions asked what ‘the contribution of public finances to growth and employment’ could be (European Council, 2000). The agreement at Lisbon on a series of developmental targets for the EU made this more specific, asking how national budgeting could be marshalled towards European objectives in the interests of growth. This spoke to a legacy of budgetary planning concerning how strategic objectives could be more aligned with financial resources. The EU’s own budget was both miniscule in comparison to the size of the economy and was notoriously intractable to negotiate adjustments to (RE). Instead, the tools of fiscal coordination in the SGP were looked at as a possible avenue to steer member state budgetary choices in line with European objectives. A 2004 communication, for example, asked ‘how the instruments for EU economic governance could be better interlinked in order to enhance the contribution of fiscal policy to economic growth and support progress towards realising the Lisbon strategy’ (European Commission, 2004a). Lacking a budget of its own, the EU instead sought to steer member state budgets in line with its strategic objectives. Assessments of budgetary quality provided a means to do this. Invoking quality offered a means to cast budgeting as a managerial issue of evaluation, rather than a political issue of redistribution.

Like many new terms introduced into European discourse, the concept of quality was undefined. Operationalising quality was undertaken in the *Public Finances in EMU – 2004* report (European Commission, 2004b). The report landed on a definition of quality that closely skirted to the premise of budgetary planning whereby ‘the quality of public finances concerns the allocation of resources and the efficient and effective use of those resources in relation to identified strategic priorities’ (European Commission, 2004b, p. 185). Building on this

managerial definition of quality, the Commission likewise proposed use of the techniques of budgetary planning in order to achieve a quality budget. The 2004 report called for the generalisation of cost-benefit analysis within member state budgetary assessments as the means of determining quality. For the Commission, cost-benefit analysis was the ‘principal tool for identifying “productive” investment’ and thereby what would constitute a ‘quality’ budget (European Commission, 2004b, p. 184). Cost-benefit analysis was a key RAND innovation emerging from systems analysis to make a rationally determined decision between alternatives. The report described how through a ‘shift in focus from cross-country differences in fiscal aggregates towards the techniques and institutions that can be used to improve the quality of public finances... the technique of cost-benefit analysis (CBA) provides for the essential criterion for distinguishing between “productive” and “non-productive” public investment’ (European Commission, 2004b, p. 202). CBA would in this way turn the SGP into a managerial tool akin to budgetary planning, providing the ‘institutional arrangements for linking public expenditure to policy outcomes in order to improve the efficiency and effectiveness of public expenditure’ (European Commission, 2004b, p. 183).

In combination, the turn to sustainability and quality since the 2005 reforms radically altered the logic of the SGP. Far from being a constitutionalised instrument of austerity, it has become a coordination process of budgetary planning. This was a point the Commission has made explicit. Writing from DG ECFIN, Deroose and Langedijk identified the reforms were ‘reorienting the Stability and Convergence Programmes towards strategic planning and away from the description of the annual budget bill’ (Deroose & Langedijk, 2005, p. 20).

Financial resources of the EU’s own, large enough to perform redistributive or stabilisation functions, were politically foreclosed since Maastricht. Likewise, the fiscal rules of expenditure control in the SGP proved administratively and politically infeasible in the face of resistance to the EU’s legal authority. The SGP was consequently remade in the 2000s as part of a broader turn to governance. It became less a neoliberal device for constitutionalised austerity, but instead a planning tool that gave supranational institutions a stake in policy-making as an information processor of fiscal performance and a strategist of the ‘quality’ use of financial resources for strategic ends.

4.3 Managing 'Neoliberal' Europe Through Reforming the Commission

The rise of EU governance across social and fiscal policy mobilised the practices and legitimacy claims of public management to build the capacities of supranational institutions. To do so, however, required a very different European Commission. As chapter three established, the Commission was for a long time focused on launching grand initiatives and engaging in high-level inter-state negotiations. But under the weight of neoliberal integration, the Commission was increasingly responsible for tasks of market regulation and macroeconomic governance. The 'management deficit' diagnosis was that in this new context the Commission's role as a policy entrepreneur no longer suited. The institution had, however, been largely unreformed since its inception in the 1950s. More pressingly, the Commission in 1999 was facing its greatest political scandal with the resignation of the Santer Commission, questioning its legitimacy to act at all.

The response to this dilemma arrived in 2000 with the launching of the 'Kinnock Reforms' in the new Prodi Commission. The reforms were seen as part of the broader governance turn, focused on the internal administrative dimension of the Commission compared to the Governance White Paper's focus on external and inter-institutional relations (Höreth, 2001). The reforms were led by Neil Kinnock. If the objective of the reforms was to inject a Third Way managerialism into the Commission, Kinnock was an ideal candidate. He is perhaps best known as the leader of the UK Labour Party from 1983-1992 responsible for revolutionising the party on the road to the Third Way of Tony Blair. After losing the 1992 general election, Kinnock began an almost decade long stint as a European Commissioner. He was first Commissioner for Transport under Jacques Santer 1995-1999, before its collective resignation. Kinnock was subsequently one of several returning Commissioners under Prodi in 1999 that was relatively untainted by the Santer fraud scandal. Modern managerialism as a process of information-led decision-making was a field Kinnock was closely familiar with. In a speech to Andersen Consulting, Kinnock discussed what he felt as the deep interrelations between data and management whereby 'supplying knowledge to find out how existing knowledge can be best applied to produce results is, in effect, what is now meant by management' (Kinnock, 1993).¹⁵

¹⁵ Andersen Consulting was the independent but closely affiliated consultancy wing of the global accountancy firm Arthur Andersen. The firms were most notable for their implication in the 2001/2002 corporate scandal of Enron. Kinnock and the broader Third Way UK Labour Party had connections with the firm. Most notably, Kinnock's former press secretary Patricia Hewitt was head of research at Andersen Consulting 1994-1997

Bringing this background of Third Way managerialism to the Commission, 'Kinnock therefore came into the job with a set of ideas on how to reform the Commission' (Schön-Quinlivan, 2011, p. 68). The fact that he was placed in the position of designing and delivering the reforms was, however, not an inevitability. It was not even his priority. In a note from his Cabinet as the Prodi Commission was being put together, Kinnock's Chef de Cabinet Andrew Cahn highlighted enlargement as Kinnock's 'objective for some time' (Cahn, 1999). In contrast, Cahn was hesitant over the administrative reform position. In the end, Cahn recommended to 'go for Enlargement, with Mr Institutions/Reform being the alternative which I fear but feel may prove inevitable' (Cahn, 1999). Indeed, prior to the Prodi Commission being formed, Kinnock was privately vocal to Prodi on reform options, but keen to stress his disinclination to take charge of them. Writing to Prodi, Kinnock suggested the administrative reforms needed a 'Commissioner to deliver the programme for you' but was adamant that 'I am not volunteering' (Kinnock, 1999b). Nevertheless, Prodi appointed Kinnock as the chief of the reforms holding the position of Vice-President and Commissioner for Administrative Reform.

The reforms had three major themes (European Commission, 2000a, 2000b). First, a focus on 'Audit, financial management and control' responded directly to the criticisms of the European Parliament appointed Committee of Independent Experts. The Independent Experts report had triggered the eventual downfall of the Santer Commission and the reform White Paper incorporated many of their recommendations on financial management. Second, 'human resources development' attempted to restructure staff policy to an unprecedented degree - replacing the old seniority privileges with a greater emphasis on performance-related pay and managerial skill. Finally, 'priority setting, allocation and efficient use of resources' attempted to rationalise the strategic use of resources in the Commission, introducing a new budgetary planning technique of Activity-Based Management (ABM).

Democratising the Commission by Managerialising It

The majority of the reforms were not new. Ellinas describes how 'a number of the proposed measures had been either initiated or suggested by previous Commissions' (Ellinas & Suleiman, 2008, p. 710). While many of the reforms were familiar, their significance was far greater than past efforts. Whereas previous reforms had been largely technical and internal, the political context of the resignation of the Santer Commission placed huge significance on delivering the reforms. Bizarrely, as a consequence of this political significance, the

managerialisation of the European Commission became bound up with claims of re-establishing its legitimacy. The paradoxical result was that in response to criticisms of the Commission as a self-interested bureaucracy, the solution became to empower the Commission as a managerial actor.

The reform agenda had huge political significance following the Santer fraud scandal that turned usually banal questions of administration into a major political issue. Reform became seen as not just organisationally necessary, but politically mandatory. At stake was the legitimacy of the EU's supranational institutions. Kinnoek felt this political pressure strongly. He described the window opened by the Santer fraud scandal as a 'burning platform', such that 'people here know that if we don't reform this institution ourselves, it will be done from outside. The choice therefore is improve yourselves effectively, or it will be done for you' (Buckley, 1999e). Elsewhere, Kinnoek argued that the Commission will be 'attacked remorselessly... if it doesn't modernise in order to manifest its full capacity and capability' (Kinnoek, 2000d). In a handover document to incoming President Barroso, Kinnoek later wrote how fraud allegations taint the institutional integrity of the whole Commission whereby 'mistakes or mismanagement in Departments may have absolutely nothing to do with a Commissioner... the political criticism will, nevertheless, be aimed directly at that Member of the College' (Kinnoek, 2004).

These political stakes surrounding the disputed legitimacy of the Commission in the wake of the fraud scandal meant the success of the reforms became equated with boosting the legitimacy of the EU. Metcalfe described how, in facing the EU's various problems of 'poor performance, negligence and lack of accountability', there was 'surprisingly rapid agreement on better management as the solution' (Metcalfe, 1999, p. 6). The significance was that good management became conflated with democracy. Just as Majone and Scharpf had proposed a managerial framing for EU legitimacy claims, the bolstering of a management function and a managerial class in the EU's institutions became equated with democratising it.

Kinnoek was explicit in the fact that the reforms were linked to an agenda of, at least appearing to, democratise the EU. Writing in a letter to DG ECHO official Sean Greenaway, Kinnoek drew a direct link between the reforms and an appeal to legitimacy. Kinnoek wrote "two things are certain – the modernisation of the Commission is essential to the strengthening of EU governance, and the strengthening of governance (at all levels) is essential to the credibility and the vitality – the "legitimacy" – of modern democracy' (Kinnoek, 2000c). Facing an affliction

of political legitimacy backlash and a crisis of effectiveness, management became the Commission's tonic.

Having conflated management reform with democratisation, the means to achieve this through the reforms was to displace the authority of policy experts within the Commission with that of public managers. The logic of this was that by enhancing the organisational capacities of the Commission, through the social forces and format of public management, the institution's legitimacy would be enhanced. What this translated into was replacing the traditional entrepreneurial mission of the Commission with a managerial one. The traditional function and orientation of the Commission was as a policy initiator. Within isolated DGs, policy experts would cook up initiatives to drive integration forward. To the consternation of public managers like Metcalfe, managerial tasks were traditionally looked down upon within the Commission – having little effect on career progression or notoriety. Metcalfe chastised that 'established patterns of EU decision-making have a built-in bias towards increasing the scale and complexity of responsibilities much more rapidly than management and governance capacities. This is a recipe for a chronic, and potentially acute, management deficit' (Metcalfe, 2001, p. 421). Elsewhere, Metcalfe described how whereas launching policy initiatives meant 'Commission officials could expect to enhance their reputations and advance their career prospects... tasks of management making the resulting policies work in practice have been perceived as much less rewarding... and, therefore, unworthy of the time and attention of top level officials' (Metcalfe, 1999, p. 6).

More than just a disdain with careerist Commission officials not taking their management tasks seriously, public managers like Metcalfe disputed the very idea of policy expertise upon which many Commission officials had grounded their organisational authority. The FSU attacked what it saw as a 'substantive' and 'formal' reliance on policy-specific experts in the Commission. The final FSU project report argued that 'knowledge is no longer "given" and accessible by the mechanisms of elected representation or by the concentration of specialist expertise' (De Schutter et al., 2001, p. 3). This was a longstanding sentiment within public management built on a cybernetic interpretation of the inherent dynamism of the world. Majone described elsewhere how 'under conditions of increasing cognitive and social complexity... the very notion of expertise must be either abandoned or drastically revised' (Majone, 1979, p. 564).

This managerialisation of the Commission through the Kinnock reforms was not a deepening of technocracy in the EU. Rather, it built on Majone and Scharpf's managerial

criterion of ‘output’ legitimacy. Public managers and policy analysts were on this basis not technocratic experts. They were viewed as agents of democratisation not by their possession of specialist knowledge. Rather, it was because they were equipped with the techniques that could construct the intra-executive accountability mechanisms required in a managerial democracy that they were equated in the reforms with democratising the Commission. A new class of policy evaluators, middle-managers, and auditors were regarded in the reforms as possessing the techniques that could hold policy specialist staff accountable.

Building on this critique of expertise, the Commission management reforms sought to displace experts with managers. The reform White Paper put great emphasis on the skills and organisational stature of management. In a note from Kinnock to Prodi, it was argued that what the Commission needed was a transformation ‘from a limited, policy-focused culture to one where management skills are truly valued’ (Kinnock, 1999b). Elsewhere, Kinnock argued that a new layer of middle managers needed empowering through the reform, displacing the hitherto strength of policy experts: ‘we need to demonstrate in deed and word that – for the first time – middle managers are being treated seriously as a professional group with demanding responsibilities’ (Kinnock, 1999a).

Delivering this, the reform process was awash with managerial influences. It has often been observed that the Kinnock reforms did not make an extensive use of management consultants. Spence argues that ‘there has been no attempt to appeal to outside management consultants’ in the reforms (Spence, 2014, p. 53). Similarly, Schön-Quinlivan wrote how ‘consultants were not brought in to draft the core and structure of the reform programme’ because Kinnock felt that ‘the reform would only be successful if the in-house knowledge was used’ (Schön-Quinlivan, 2011, p. 75). Indeed, the White Paper and the majority of the reform process was designed and delivered internally by working groups, task forces, the policy machinery of Kinnock’s cabinet, DG Admin, and DG Budget.

And yet, external managerial influences were present throughout the reform process, reflecting the weight attached to management as a field in driving the reforms. Michel Barnier wrote to Kinnock in October 2000 proposing he approach consultants Herbemont César and Associates to advise on the reform process (Kinnock, 2000e). Kinnock was also in correspondence with a consultancy connected to Philip Gould. Gould was a political consultant who had worked closely with Tony Blair on massaging the public image of the UK Labour Party. Gould proposed a series of interviews with upper management of the Commission on ‘change

processes' and a senior associate to Gould, Joel Levy, visited the Commission (Kinnock, 2000b). Change management experts Liz Richards and Andrew Lewis from SDL Consulting were also brought in to run seminars for the College on how to deliver the reform agenda (Richards & Lewis, 2000). A Pricewaterhouse report, held in the files of Kinnock's Chef de Cabinet Philip Lowe, spoke directly to the agenda of displacing experts with managers. It argued for a new emphasis on 'adaptability and flexibility when faced with change, being accountable for results, and visionary and strategic thinking' that would mean 'technical expertise is the least important' attribute in an organisation compared to managerial competence (Abramson et al., 1999). While consultants may not have driven the reform process directly, management as a field was firmly in the minds of the Commission staff who did shape the reforms.

The emphasis placed on management within the Commission at the expense of expertise or initiation drew much criticism. Much of the criticism depicted the reforms as an 'Anglo-Saxon' coup to transform the Commission from a unique and political institution, with a mission to drive forward European integration, into an enfeebled managerial organisation, pushing papers at the behest of member states and modelled on a multi-national corporation. A contributor to the reform consultation process criticised that in the draft white paper 'the Commission is not identified as a driving force of the Community process, and its political role and right of initiative are largely overlooked' (Trojan, 2000). The anonymous author was worried that the emphasis on management cast 'the Commission as an almost purely project-managing, money-spending, administrative organisation', and thereby marginalised its traditional, active political role.

Likewise, staff unions criticised what they saw as 'an Anglo-Saxon offensive to unseat the culture we've had for forty years' (Osborn, 2001). A *Le Monde* headline identified a managerial 'Anglo-Saxon infiltration' of the Commission threatening a degradation of its traditional political function (Laurent, 2000). A newsletter from GRASPE in January 2001 sought to defend this political purpose for the Commission against the management reforms.¹⁶ The paper argued that 'fonctionnaires of the European Commission are not traditional bureaucrats: they are, so far as possible, militants of the European project'. The push for management reforms, rather than empowering the Commission, was seen as neglecting its

¹⁶ *Groupe de Réflexion sur l'avenir du Service Public Européen* [GRASPE - Reflection Group on the Future of the European Civil Service] is an internal network of European civil servants that arose in 2001 as part of the reform process of the 2000s to reflect on process of European integration <https://graspe.eu/>

traditional role of developing broad policy initiatives: ‘The Commission is and will be, together with the member states and the European Parliament, judged on outcomes (e.g. the completion of the Single Market, the launch of the Euro) as much as on its sound management practices’ (GRASPE, 2001, p. 6). Working from the premise that policy development, rather than a strengthened management process, was of paramount importance, the paper ended by asking ‘What is the next flagship project that we want to propose to Europeans?’ (GRASPE, 2001, p. 6).

At the time, then, the managerialisation of the Commission was widely read as an impoverishment of the institution’s classical role and authority. Building on chapter two, however, I argue that the shift to a more managerial outlook for the Commission was a testament to the dilemma of supranational authority thrown up by ‘neoliberal’ integration. The Commission’s entrepreneurial role had for a long time been a detriment to its actual capacity to govern. At a time post-Maastricht where the EU’s governance responsibilities were growing, but it lacked traditional policy instruments and was facing a major legitimacy crisis, the social forces and format of public management offered an alternative means to wield a supranational governing capacity built from techniques of information processing and the legitimacy claims of managerial ‘output’. A principle area in which the reform process manifest the empowering of a managerial function in the Commission was the resurrection of programme budgeting under the banner of ABM.

Between the ‘Betrayal of Efficiency’ and Budgetary Planning Resurrected

The legacy of the Santer corruption scandal loomed large on the content of the administrative reforms. Building directly on the criticism of the Committee of Independent Expert reports, a major section of the reforms focused on financial management, audit, and control. Given perceived levels of fraud, a large portion of this was concerned with tightening financial control processes. As chapter three discussed, a growing EU budget had descended into a morass of informal outsourcing, ad hoc budgeting, and cronyism. The previous system of financial controls was heavily centralised to the point of lacking any oversight. Control and audit within the Commission was done from a central office removed from the point of spending and only signed off after it had happened.

There was a belief at the highest level of the Commission that this system had allowed staff to get away with budgetary laxity, negligence, and fraud. A confidential note passed to

Santer from Delors at the start of the new Commission in 1994 wrote that ‘some individuals have abused their relative freedom, either to adopt attitudes towards professional responsibilities which are unacceptable, or to indulge in practices which are indefensible’ (European Commission, 1994). The final reform White Paper, however, sought to play down any direct accusations against staff, focusing instead on structures. This came after a backlash from staff feeling accused of the malfeasance of individual Commissioners. A response to the reform consultations described how ‘there is a widespread perception among staff that the Consultative Document unfairly apportioned blame to them... the Commission’s problems result from structures and systems and not from its staff’ (Kinnock, 2000a).

Indeed, there was a concern among staff over possible retribution against individual staff members that may be a consequence of the reform process. In a letter to Kinnock, a colleague wrote ‘many are frightened, and that is not too strong a word, that there will be a blacklist, or that retribution will come from somewhere at some time unspecified in the future’ (Kinnock, 2000d). The concern was that, whereas the scandal that had triggered the crisis was the behaviour of specific Commissioners, notably Edith Cresson, the reform process it initiated targeted financial control over lower rungs of the Commission. Alan Hick, the president of the *Union Syndicale*, criticised at the time how staff ‘are being made scapegoats for the past behaviour of commissioners. Kinnock is suggesting that there is something dreadfully wrong with the European civil service, when it was the commissioners who were guilty of giving jobs to the boys’ (Evans-Prichard, 2001).

The reforms indeed beefed up financial control. DGs were made directly responsible for the execution of their own finances, an Internal Audit Service was set up to monitor DGs, as well as further auditing services within DGs established to monitor financial control processes. The emphasis placed on budgetary control and audit led to criticisms from some public managers over the heavy bureaucratic load it would bring. Budgetary delegation was a key plank of many NPM reforms, commonly used to hold managers accountable for outcomes as ‘budgeting for results’ (Schick, 1990). But the context of the fraud scandal within the Commission meant the reforms were more heavily weighted to exercising financial control through minute cost supervision rather than the planning leverage of budgeting for results.

As a result, public managers in the FSU criticised how the reforms were ‘rather limited in its ambitions’ (De Schutter et al., 2001, p. 263). The report went on to say that the control and audit reforms ‘represent the bare minimum... and the fact that they can be presented

respectively as ‘important’ and as ‘an overhaul’ at the turn of the 21st century would be a cause for embarrassment if they were not so obviously and urgently required’ (De Schutter et al., 2001, p. 263). Disappointed by the focus on control rather than planning, the FSU said the reforms ‘betray an overwhelming concern with efficiency which, while commendable, is conspicuously not qualified by a commensurate concern with legitimacy and effectiveness’ (De Schutter et al., 2001, p. 263). While vital, the focus on budgetary supervision and audit were far removed from the releasing of managerial discretion and governing according to a budgetary planning logic. Indeed, in a handover to Commission President Barroso in 2004, it was felt that since the reforms ‘too many Commission staff are executing budgets, too few are working on the Commission’s core tasks of policy conception and delivery’ (Kinnock, 2004).

Despite this heavy emphasis on control, the reforms also introduced important innovations with the resurrection of budgetary planning. The adoption of Activity-Based Management (ABM) resurrected programme budgeting within the Commission that had been first attempted in 1970 (and discussed in chapter three). The significance of this has been that policy-making and political power has shifted to the centre of the Commission, emboldening the Commission President and attached Secretariat-General to steer the organisation according to centrally defined political objectives (Hartlapp et al., 2013).

ABM is classically not a device of programme budgeting. Its corporate origins are as a costing system for organisations. It emerged from the work of Gary Cokins on activity-based costings (Cokins, 1996). Cokins was one of the many students of the business school and consultancy revolution of the 1950s and 1960s that underpinned the global rise of public management (Khurana, 2010). He graduated Northwestern’s Kellogg School of Management and was a consultant at KPMG. He produced an enormous number of texts on activity based costings and, along with Robert Kaplan, the ‘balanced scorecard’ method of performance management that has also proven extremely popular in the EU (Kaplan & Norton, 1996). The purpose of activity-based costing was not enhancing strategy per se in line with the tradition of budgetary planning, but rather to provide the infrastructure of organisational costing to generate the information that could be used for strategic decision-making.

Much like the EU appropriated benchmarking beyond its origins, the Commission recast ABM for the broader purposes of strategic decision-making (Levy, 2004, pp. 173–174). ABM in the Commission’s hands was developed as an attempt to bring together policy objectives with resource allocation. To do so, a Strategic Planning and Programming (SPP) Unit was

introduced into the Secretariat-General (SG) of the Commission that would work on developing an Annual Policy Strategy. Assisting this, a new informational architecture of Integration Resource Management System was established in the Commission and each DG set up its own SPP function to feed into the SG's central process.

The first planning cycle was underdeveloped. A planning official in the central office told Michael Barzelay and Anne Sofie Jacobsen how the first annual strategy was just a long to do list drawn from consultations with staff: "We developed the political priorities in the first round by going out and asking all of the Commission staff and all the senior officials in the Commission what they felt were their big challenges" (Barzelay & Jacobsen, 2009, p. 324). Moreover, Commission staff pushed back against ABM for being an overly complicated and bureaucratic exercise. In the summary of a reform consultation, staff were noted as feeling 'ABM seems overly complicated and will require a lot of effort to implement or else it will become a bureaucratic exercise' (Task Force on Administrative Reform, 2000). Similarly, in a steering brief for Kinnock, his office described how a mood amongst staff was that ABM was 'some luxurious add-on to their normal and essential duties. They will do it if they have time but otherwise it's just a nuisance' (Office of Neil Kinnock, 2001).

Nevertheless, the introduction of ABM significantly altered the internal balance of power within the Commission. Using the instruments of management, the executive authority of the Commission President and SG have progressively taken a central place within the workings of the institution. The development of ABM 'created a central capacity for priority setting, resource allocation and compliance monitoring within the Commission' that placed the President at its core (Kassim et al., 2017, pp. 659–660). This was closely connected to replacing policy experts with public managers. Indeed, at the time of its adoption there was a concern that ABM was part of the assault on policy focused staff, displacing their role in policy-formulation with a managerial focus on budgetary planning. One concerned official warned that 'a political definition of priorities cannot be replaced by ABM; it must be policy-driven, not budget-driven' (Kinnock, 2000a). As DGs began to realise that ABM was going to have significant bearing on their level of resourcing, they began attempting to strengthen their own internal SPP functions, recognising that 'the amount of resources they received depended on the quality of their inputs to the APS exercise' (Barzelay & Jacobsen, 2009, p. 326).

The introduction of ABM, then, changed the social fabric of the Commission. Less important was policy experts, more important was the techniques and social power of public

managers. Rather than understanding the technical nuances of agricultural or competition policy, increasingly the Commission looked to the skills of management - cost-benefit analysis, policy evaluation, or strategic planning - as the source of internal institutional authority.

At the beginning of the millennium, the future and integrity of the Commission was seriously in doubt. The institution was haunted by the Santer Commission scandal. Fraud scandals continued to weigh on the Commission throughout the 2000s, with a stream of further allegations from Paul van Buitenen, chief internal auditor Jules Muis, and chief accountant Marta Andreasen. The response to this crisis was to pick up longstanding agendas for management reform and recast them as the means for democratisation and modernisation. Financial control would be strengthened and policy experts would be brought to heel under the scrutiny of public managers. The Commission would regain a sense of purpose not through political vision but through strategic managerial planning. For many, the Commission's turn to management in the early 2000s was testament to its long drift out of the political spotlight. The reforms of the governance turn are from this perspective reflect the shifting centre of gravity from supranational authorities to intergovernmental sites like the European Council. And yet, the turn to management reinvented the Commission as an organisation. Where it lost stature as a policy entrepreneur, the cementing of a European polity at Maastricht meant the turn to management gave the Commission a new stake in a Europeanising policy-making system as a planner.

Conclusion

The 2000s was the decade of governance. Through the turn to the OMC at Lisbon, the watering down of the SGP's fiscal rules, and the management reform of the Commission, 'governance' spoke to the ways in which the European project was being reinvented as a managerial project. Critical scholars have tended to read the rise of governance as a highpoint of neoliberal integration. Through supranational law and constitution, national governments were prevented from encroaching on markets by restricting the progressive use of public expenditure. Techniques like benchmarking were subsequently registered in critical EU scholarship as poor approximations to traditional fiscal policy. They were thus significant only insofar as they produced neoliberal subjects fit for a market framework by turning policy-making into a competitive process of climbing rankings.

In this chapter, I have argued that the rise of governance at the turn of the millennium reflected an effort by supranational institutions to respond to the dilemma of supranational authority discussed in chapter three. By remaking the work of supranational institutions along managerial lines, they attempted to gain a stake in national policy-making despite their limited financial means and the failure of their legal authority. By discussing welfare as a question of competitiveness that could be benchmarked, or discussing national budgets in terms of their fiscal performance, the EU developed capacities of intervening into social, economic, and fiscal affairs on managerial terms, despite lacking the fundamental instrument of public authority in an actual budget.

The EU's lack of fiscal tools that could perform stabilising, redistributive, or expenditure control budgetary functions has meant these shifts of governance have often been read as a poor and peripheral approximation of a working fiscal policy. By highlighting the history of another budgetary function of planning discussed in chapter two, this chapter has shown how the governance turn signified the efforts of supranational authorities to build their capacities by drawing on public management. This meant empowering a new managerial class within the institutions of the EU and developing the European Commission's cognitive authority as a centre of strategy and information processing.

Governance as an explicit reform agenda was short lived. The onset of the global financial crisis meant voluntary coordination through the Lisbon Agenda or OMSc was a luxury. As Europe plunged into crisis after the crash of transatlantic finance in 2008, the Euro currency came under existential threat - and the EU's institutions with it. The EU entered a frenzy of institutional reform around 2010. Its instruments of governance were relaunched as the 'New Economic Governance', the ECB embarked on extraordinary bond purchases, and new bailout institutions like the ESM were created. As the next chapter five will show, it seemed in this process that the managerial planning of 'governance' was out and neoliberal rules and imposition were back. As chapter 6 will show, however, while the governance agenda itself died, the managerial inflection to European policy-making did not.

Chapter 5: The Crisis of 'Governance' and the Return of Rules?

Introduction

'The present rules-based system of the Stability and Growth Pact (SGP) has become nearly unmanageable due to its complexity, and the constant addition of exceptions, escape clauses, and other factors' (Wieser, 2018)

Facing a dilemma of supranational authority, European institutions turned to 'governance' in the 2000s. I argued in the previous chapter that governance was an agenda of EU reform that mobilised the social forces and format of public management to coordinate EU policies. EU governance did not introduce the stabilisation or redistributive budgetary functions of a European welfare state, nor the expenditure control of a neo/ordoliberal constitution. EU governance instead built on the legacy of public management and budgetary planning. By reformatting the work of European institutions along managerial lines, the governance turn reflected an attempt to build supranational authority and legitimacy through the practices of strategising and information processing. In doing so, European institutions increasingly became populated by a managerial class trained in techniques of policy analysis, evaluation, and planning.

The reform euphoria around EU governance was, however, short-lived. By 2010 governance became a conceptual banality. The EU, meanwhile, was facing an existential crisis. As the ramifications of the US sub-prime mortgage crisis worked their way through the nodes of trans-Atlantic finance, a heavily exposed European banking system found itself at the gates of a severe liquidity crunch and left holding an unbearable debt burden. What followed were years of lurching from crisis to crisis. Banking crises turned into a sovereign debt crisis for Europe's most precarious governments. A sovereign debt crisis turned into a political crisis as governments collapsed across the Union and the future of the EMU was put in doubt.

Even before bailout battles, extraordinary monetary policy, and prolonged recession, the EU's 'governance' agenda was in tatters. The new techniques of benchmarking competitiveness had done little to achieve the targets of Lisbon. Taking over the rotating presidency in 2009, Swedish Prime Minister Fredrik Reinfeldt and Finance Minister Anders Borg observed that 'with only a year remaining before it is to be evaluated, [the Lisbon Agenda] has

been a failure' (EURACTIV, 2009). Likewise, despite revisions in 2005 to the SGP turning it into a more flexible process of strategic planning, the financial crisis exposed the limits of EU fiscal coordination to either prevent or handle a budgetary crisis. The depth and protraction of the Eurozone's crisis made the EU's peculiar governance arrangements appear dysfunctional rather than innovative.

The battle lines forged in the autopsy of EU governance was that other budgetary functions needed enhancing. For many embattled Southern European governments facing the 'doom loop' of banking and fiscal crisis, and those holding ambitions for a European welfare state, the EU needed the common budgetary tools overlooked at Maastricht. Along these lines, the *Five President's Report* in 2015, issued by the leaders of the EU's five supranational institutions, proposed strong fiscal cooperation, a European unemployment scheme and a Eurozone finance minister (European Commission, 2015a). For Northern European governments that felt they would foot the bill of such collectivised spending and debt, it was a lack of adequate expenditure control within the EMU that needed enhancing. If the EU's economic governance was to be rules-based, then those rules needed to be flexed. As the Bundesbank head Jens Weidmann replied to French President Macron's 2017 proposals for fiscal union, 'I hear a lot of common liability, but little of common decision and control' (Jones, 2017).

In response to the crisis of European governance, the EU's policy-making architecture underwent an overhaul. The resulting reforms were labelled as the New Economic Governance (NEG). A 2011 'Six-Pack' and 2013 'Two-Pack' of regulations and directives beefed up the debt and deficit rules of the SGP and introduced a new legal instrument covering macroeconomic imbalances (the Macroeconomic Imbalance Procedure - MIP).¹⁷ An intergovernmental treaty on Stability, Coordination and Governance in the Economic and Monetary Union (commonly referred to as the Fiscal Compact) mandated that balanced budgets be enshrined in domestic law. A relaunched development plan of Europe 2020 set new quantitative targets for poverty reduction and environmental protection. Finally, and eventually, the European Stability Mechanism (ESM) introduced a financial stabilisation fund to conditionally bailout countries in fiscal distress.¹⁸

¹⁷ The Six-Pack was made up of four Regulations 1175/2011, 1177/2011, 1173/2011, 1176/2011, and 1174/2011, and one Directive 2011/85/EU. The Two-Pack was made up of two Regulations 473/2013 and 472/2013

¹⁸ The ESM was established as an intergovernmental organisation in September 2012 to replace the previous temporary funds of the European Financial Stability Facility (EFSF) and the European Financial Stability Mechanism (EFSM). The ESM required a Treaty change to Article 136 on economic and monetary policy to get round the "no bailout" rules of Article 125.

For many scholars, the shakeup of EU governance dispensed with the open coordination of the 1990s and strengthened neo/ordoliberal legal imposition. Ryner and Cafruny, for example, observed that the ‘New Economic Governance...can be seen as a return to executive authority, hard law, and regulation to achieve the substantive [competitiveness] goals of Lisbon’ (Ryner & Cafruny, 2017, p. 125). Likewise, Oberndorfer characterised the changes as a movement “back” to direct domination, which detaches itself even more strongly from “self-rule” and consensus’ as had characterised the OMC (Oberndorfer, 2015, p. 203). Bruff observed how, compared to the OMC, a ‘relatively open, dialogical, horizontal and “best practice” set of mechanisms had now hardened into a relatively closed, punitive, hierarchical and “the best practice” set of procedures’ (Bruff, 2017, p. 160). Making sense of this, scholars have often pointed to the ideological underpinnings of the NEG in ordoliberalism. Having first figured the financial crisis as one of reckless spending requiring austerity (Blyth, 2013), the changes to economic governance in the EU have resembled an ordoliberalism-inspired deepening of rules on debts and deficits (Ryner, 2015).

Just as it was at the EMU’s founding discussed in chapter three, this chapter argues that the focus on rules and legal imposition in post-crisis EU governance is misleading. While rules were highly prominent in the heat of the crisis, they were political bargain chips. The rules of the Fiscal Compact and the enhanced sanctions of the NEG were a tribute to nationalist elements of creditor countries. As tributes, they unlocked the financial support instruments of the ESM and the ECB’s monetary firepower that was necessary to preserve the Euro. But, as the opening quote from political operator Thomas Wieser exclaims, the rules themselves have been watered down and selectively mobilised since the crisis. Alongside the strengthening of the SGP’s compliance procedure, a variety of escape clauses and exceptions were built in and have been widely used by the European Commission - most recently through the suspension of the SGP in the COVID-19 crisis. Similarly, the new macroeconomic Excessive Imbalance Procedure (EIP) sanctioning process was not triggered once throughout the crisis, despite a huge number of cases of excessive imbalances. The idea that supranational institutions could legally punish member states for failing to deal with current account or private debt imbalances largely beyond their control was unthinkable for national and EU policy-makers in the heat of the crisis. Instead, the Commission created a variety of new analytical categories for member states to avoid the sanctioning effect of being found in ‘excessive imbalances’.

As this chapter will show, the NEG was not a resurgence of rules. Rather, the NEG posed once more the dilemma of constructing supranational authority along legal or financial lines that first arose most clearly in the 1990s. This time, though, the stakes were different. In establishing the EMU all that was at risk were the political ambitions of the Euro's architects. In the 2010s, however, the price of failure of supranational governance was the collapse of a deeply interconnected financial system organised around the Euro, and the enormous social and economic damage this would bring.

The chapter has three sections. First, I show how European policy-makers translated the crisis of transatlantic finance since 2008 into a crisis of the EU's governance architecture. Rather than a crisis of global finance, the predominant interpretation of the crisis in the EU has been the failure of European governance mechanisms to force states to stick to fiscal rules and implement structural reforms to labour markets. Second, I show how European policy-makers built on this interpretation when they overhauled the governance system of the EU since 2010. At first glance, the NEG that was created appeared to resurrect rules. But, third, I show how upon closer inspection the NEG's rules were never as strict as we have theorised and, in practice, have been applied incredibly loosely. In the final chapter after this, I show how the widely recognised empowerment of authoritarian executive power in Europe should not be understood through the resurgence of rules. Instead, the NEG has consolidated managerial governance in the EU.

5.1 Financial Crisis as a Governance Problem

A Crisis of Trans-Atlantic Finance

The collapse of Lehman Brothers in 2008 marked a perilous turn to the financial crisis. What began as a panic in sub-prime mortgage markets had led to the collapse of a central institution of global finance. This was no normal boom and bust. The wheels of global finance and the shadow banking system were coming undone. Adam Tooze noted a smugness among many European policy-makers watching the crisis unfold across the Atlantic (Tooze, 2018, p. 64). Observing the turmoil on Wall Street, many European officials felt themselves immune. Tooze quotes how the Italian finance minister Giulio Tremonti 'boasted that Italy's banking system

would be fine because “it did not speak English” (Tooze, 2018, p. 64). In an ironic turn given the crisis that was to shortly engulf Europe, German Chancellor Angela Merkel went as far as declaring that ‘Anglo-Saxon’ finance had failed and the Eurozone could offer some lessons to their US counterparts on banking regulation (L. Barber et al., 2008).

As Tooze explains, this European narrative ‘was convenient, but it was self-deception’ (Tooze, 2018, p. 64). Indeed, by 2010 the Eurozone went from delivering sermons on prudence to Wall Street to questioning whether it would even survive. The revelations from the new Socialist government in Greece in October 2009 that the country’s deficit would reach 12.5%, rather than the 6-8% previously projected, threw the Eurozone into crisis (T. Barber, 2009). After a series of austerity budgets, by the spring of 2010 it was clear that Greece was effectively insolvent. A hastily and reluctantly cobbled together bailout package from the ‘Troika’ of institutions (the ECB, Commission, and the IMF) was delivered to Greece. The ‘extend and pretend’ logic of it, however, meant it neither settled the debt burden in Greece or financial market pressure on Greek bonds (Varoufakis, 2017). The crisis subsequently spread to countries facing similar fiscal pressures from banking sectors spiralling out of control. Crisis hit Ireland first; later Spain, Portugal, and Cyprus.

While the story of the crisis is mostly familiar, explanations are less agreed upon. Paul Krugman and Joseph Stiglitz were quick to rush to the conclusion that the Optimal Currency Area (OCA) perspective that was critical of the Euro from its beginnings had been proven correct (Krugman, 2012; Stiglitz, 2016). According to an OCA analysis, the Eurocrisis was a case of a series of asymmetric shocks (Greek public debt, Irish and Spanish housing bubbles) in a monetary union that lacked the necessary tools for adjustment. A flat interest rate across the union was missuited to divergent economies and the Eurozone had no fiscal transfers with which to flatten asymmetric business cycles. Most importantly, the monetary union meant currency adjustment was unavailable as a policy response for countries like Greece entering recession. The Eurocrisis thus proved for scholars like Krugman and Stiglitz that the EU was not, indeed, an OCA.

The claims surrounding an OCA are, however, a misnomer. As Waltraud Schelkle describes, in contrast to where OCA theory would direct our attention, ‘the shock causing the EA crisis was not asymmetric and idiosyncratic but followed the common shock of the financial crisis’ (Schelkle, 2017, p. 185). The Eurocrisis was not a perversity of either public debt nor a functional inevitability of the peculiar lopsided construction of the EMU as OCA would imply.

Much to the surprise of European policy makers, it was a crisis of finance. Not a financial crisis imported from Wall Street. But a crisis of European banks' own making within the morass of trans-Atlantic finance.

By the time the crisis hit, Europe was heavily 'overbanked' (Tooze, 2018, p. 95). Europe was home to the world's three largest banks in terms of assets. RBS, Deutsche Bank, and BNP had balance sheets representing 17 percent of global GDP (Tooze, 2018, p. 95). In the massive expansion of credit that took place in the 2000s, 'Europe's banks were at the leading edge of the boom' (Tooze, 2018, p. 88). Far from being insulated from Wall Street's misadventures in securitised mortgages, Europe's banks were heavily implicated. Indeed, the European financial system had come to operate as a 'global hedge fund' (Tooze, 2018, p. 71). Europe's banks were heavily exposed globally, holding huge claims in both the United States and Asia. In Ireland, the 'liabilities of its banks added up to 700 percent of GDP' (Tooze, 2018, p. 95). But this was not restricted to the business models of small open economies. It touched the core of Europe in France and Germany – most notably through the case of Deutsche Bank.

Zombie SGP and The Haunting Question of a European Fiscal Capacity

The chaotic unravelling of this massive financial system following the US sub-prime crisis is what triggered the Eurozone crisis. While the crisis began from this common financial shock of the party ending on European banking misadventures, it manifest as a series of fiscal and sovereign debt crises across the EU. In response, the question of the fiscal capacity of the EU to support the Union was once again thrust into the spotlight.

Whereas the OCA-laden debates of the 1990s were concerned with a fiscal capacity as a macroeconomic stabilisation and redistribution tool in a currency union, the stakes this time were squarely financial. The 'doom loop' setting in revealed the pressing need for a European fiscal capacity as a financial stabilisation instrument. Banks needed recapitalising with safe assets. The most stricken banks in countries like Spain and Ireland, however, were turning to national governments who were equally facing a liquidity crisis as sovereign bond yields shot up. A financial stability fund was needed that was large enough to recapitalise European banks and bailout governments stuck in the doom loop. A fiscal union may not have prevented the EU's crisis, but a fiscal capacity was needed more than ever to rescue it.

In contrast to this pressing need for an adequate bailout instrument, the limited mechanisms of fiscal coordination the EU did have were looking increasingly redundant. The

deficits being experienced during the crisis made a mockery of the SGP's 3 percent /60 percent deficit and debt rules. In 2010, France was posting a deficit of 6.9 percent, Spain 9.5 percent, and Ireland a colossal 32 percent. All Eurozone countries with the exception of Luxembourg were in the Excessive Deficit Procedure (Hodson, 2011, p. 57). In such circumstances, the rules of the SGP appeared absurd.

Facing rising public debt levels, the persistent diagnosis of the Eurozone crisis was that Europe suffered from a legacy public debt and profligate spending problem which the SGP had failed to resolve. Austerity made a comeback after 2010. In a 'bait and switch' the financial crisis was turned into a fiscal crisis in the minds of policy makers and electorates (Blyth, 2013). In what later proved to be based on flawed data, economists Carmen Reinhart and Kenneth Rogoff's influential paper *Growth in a Time of Debt* was widely mobilised by policy makers preaching the virtues of restraining public debt. Shifting attention from dealing with a European banking sector in crisis, the problem was recast as one of keeping European state budgets under control.

Framing the financial crisis as one of public debt, European policy-makers turned their attention to the perceived governance problems of the SGP in tackling it. In doing so, policy-makers did not challenge the validity of the SGP's rules. Throughout reform negotiations for the NEG, policy-makers argued that the crisis of public debt was not for lack of clear and proper obligations concerning public finances. A pivotal report from van Rompuy's TFEG observed that the SGP 'remains broadly valid' (Task Force on Economic Governance, 2010).¹⁹ Likewise, a Commission communication on reform proposals argued that 'the rules and principles of the Stability and Growth Pact are relevant and valid' (European Commission, 2010d).

If the SGP was regarded as fine in principle, explanations of the Eurozone crisis were located in states not following the rules and the limited supranational instruments to compel them to do so. This required a significant revision of earlier perspectives. As late as 2008, the European Commission was arguing that after the reforms of 2005, 'a weakening of implementation as feared by media and other commentators did not materialise' (European Commission, 2008, p. 138). Nevertheless, by 2010 the NEG negotiations surfaced a perspective that the scale of public debt being accumulated through the crisis was a testament to the failure

¹⁹ The Task Force on Economic Governance (TFEG) was established following the March 2010 European Council to present proposals for enhancing economic governance in Europe in the face of the unfolding Eurozone crisis (Council Concs March 2010, p6). Through a series of meetings between European finance ministers and officials from the Commission, Council and ECB, the details of the NEG were largely worked out over the summer of 2010.

of EU governance to control public expenditure. An EP official reported to Laffan and Schlosser that ‘non-compliance with rules was identified as the cause of the crisis’ (Laffan & Schlosser, 2016, p. 329). Denmark offered a widely held perspective on this, arguing that ‘the root of today’s public-finance challenges is a not lack of sound rules, but the fact that rules have not been implemented and enforced effectively. Accordingly, the challenge is not to fundamentally overhaul the rules, but to strengthen the implementation of the rules’ (Government of Denmark, 2010).

In 2003, the failure of the SGP’s rules was the result of vocal and deliberate political choices from France and Germany in responding to a growing recession. In 2010, however, no one seemed to be in control. Amidst the doom loop between the banking sector and yields on sovereign debt, public finances were slipping out of the control of even the most zealous austerity-pursuing finance minister. Moreover, prior to the crisis, many of the now stricken countries like Ireland and Spain were posting healthy surpluses. How then to shift the blame for the crisis onto the national handling of public finances?

In holding that the SGP’s rules were valid, officials argued that the problem was they were insufficiently enforced in the boom times of the 2000s. The argument was that governments failed to get their fiscal houses in order to prepare for rainy days. If they had, European officials argued that countries could have had sufficient buffers to face down the crisis. In a preparatory document for the TFEF, the diagnosis of the crisis was that ‘several Member States did not take the opportunity of good economic times to consolidate their budget and reduce their debt’ (Council of the European Union, 2010). The Commission similarly argued that ‘Member States failed to build up adequate buffers in good times’ (European Commission, 2010d).

At a time where banking sector balance sheets were many times the size of their host country’s GDP, the proposition that any boom-time buffers would have been sufficient to rescue a financial sector in crisis was clearly ludicrous. Nevertheless, the fault of the crisis was not found in the absence of European financial supervision, but in the weakness of the preventive instruments of the SGP to sufficiently control public expenditure before the crisis hit. The final TFEF report argued that the SGP ‘needs to be applied in a better and more consistent way’ (Task Force on Economic Governance, 2010). It was no good tackling a crisis once it was already here, went the argument. Closer scrutiny of member state budgets was necessary at an earlier stage to prevent a crisis before it arrived. If the changes of 2005 were to

broaden the range of fiscal evaluation from nominal figures to budgetary composition and sustainability. In 2010, reform was about saying that a more forthright intervention into national budgeting processes was needed to influence this composition and path to sustainability, rather than just disciplining states if they pushed over nominal values or an evaluated drift from sustainability.

The Greek experience cast a long shadow over this framing. The revelations of the true size of Greece's deficit in 2010 pushed opinion towards the idea that it was Southern European profligacy that bond markets were reacting to, rather than a European banking sector on ice. This was a dangerous game, however. All states and institutions shared some responsibility. An EDP had just been closed for Greece in 2007, despite widespread inaccuracies in their statistics that were seemingly missed (Hodson, 2011). Moreover, it was an open secret that Greece had fudged numbers to get into the Euro. But it was hard to cast stones in a currency union made of glass. The Greek statistical abuses case may have been flagrant. But as chapter three discussed, many countries had engaged in some kind of accounting gimmickry to enter the Eurozone. Moreover, it was not so long ago that France and Germany were publicly and willingly violating the terms of the SGP.

Nevertheless, the scale of the deficits being posted in the Eurozone in a currency union supposedly founded on a principle of stability meant policymakers felt something had to be done. Europe had clearly lost control of its public finances. Whether it was caused by public or banking profligacy was moot. Rules had not cut it in the 2000s to coordinate fiscal policy because of the EU's limited legal authority. But neither had the relatively non-invasive performance management of the governance turn. Mobilising a planning function in the EU had given supranational institutions a stake in policy-making, but it turned out to be poor at the actual task of governing. Something had to shift.

Macroeconomic Imbalances and Crisis of Competitiveness

Alongside public debt, macroeconomic imbalances were widely understood in the reform of EU governance as a major contributing factor to the Eurozone crisis. In a 'consensus view' amongst mainstream economists on the causes of the Eurozone crisis, blame was placed on the 'standard culprits that have been responsible for economic crises since time immemorial... too much public and private debt borrowed from abroad' (Baldwin & Giavazzi, 2015, p. 19). Indeed, intra-European current account differentials had ballooned in the years

leading up to the crisis. Despite Germany's global banks being at the forefront of the crisis of trans-Atlantic finance, the country's high-volume of exports and dampened domestic demand meant they were registering high positive current account surpluses throughout the crisis years. In contrast, countries like Greece and Portugal were struggling with growing current account deficits and the financing problems that comes with it. Despite the framing of EU policy-makers, it was not as straightforward that German surpluses mirrored Southern European deficits, but rather that the 'one-size-fits-all' design of the EMU had created a divergent dynamic between the EU's heterogenous economies (Dooley, 2019). As the Eurocrisis erupted, these macroeconomic sources of imbalance were increasingly turned to by policy-makers as a condition requiring treatment.

Macroeconomic imbalances are longstanding feature of the EMU since its creation. The fact that they were now treated as a pathology was a sizeable turnaround from earlier perspectives. It was not in the too distant past that economists had been largely ambivalent to the observed build-up of current account imbalances, treating them as benign effects of Southern Europe 'catching-up' through massive inflows of capital and investment (Blanchard & Giavazzi, 2002). As late as 2008, the Commission was celebrating 10 years of the EMU through a triumphant report on the effects of free capital movement for macroeconomic stability. Imbalances from this perspective were seen somewhat positively, reflecting the efficiency gain for the European economy of deeper credit markets while also lowering macroeconomic risk by acting as 'a channel for managing asymmetric shocks' (European Commission, 2008, p. 94). To this extent, the remarkable turnaround in the perception of imbalances within the Eurozone has been described as a 'revisionist consensus' (Collignon, 2013).

In defining the macroeconomic imbalances plaguing the Eurozone, a consensus quickly formed following the onset of the crisis that large current account imbalances in Southern Europe were a problem of asset bubbles and competitiveness divergences (Belke & Dreger, 2011; Giavazzi & Spaventa, 2010; Gros, 2012). A stream of publications from economists and political scientists began asserting that monitoring and resolving macroeconomic imbalances would be key for stabilising the Eurozone and preventing a future crisis. Macroeconomic imbalances were reassessed as no longer a vehicle for 'catch-up' development, but instead a pathology of specifically Southern European economies pursuing unsustainable economic models (Belke & Dreger, 2011). This corresponded to earlier arguments

epitomised by Sapir that Mediterranean and continental welfare models were inherently inefficient and unsustainable (Sapir, 2006).

Competitiveness significantly framed this understanding of macroeconomic imbalances, building on longstanding concerns since Maastricht. Of concern were the divergences in relative competitiveness internally between Member States. In a manner that subsequently framed all subsequent discussions of competitiveness in crisis reforms, a 2008 Commission report noted the ‘substantial and lasting differences across countries in terms of inflation and unit labour costs... [that] led to accumulated competitiveness losses and large external imbalances’ (European Commission, 2008, p. 6). This was a fact that had also been made on several occasions already by the ECB. In November 2008, an ECB note argued for ‘the need to monitor closely competitiveness in the euro area’ building on an observation that increasing intra-European disparities in labour costs and nominal wage growth may have implications for macroeconomic stability (ECB, 2008).

While the financial sources of imbalances were also addressed in discussions, the predominant way to do this was to link them once more back to a pervading concern with labour competitiveness. For the Commission, the crisis was not one of the freedom of capital as such. It was the uncompetitive allocation of this credit that was the issue. The Commission argued that ‘low financing costs fuelled the misallocation of resources to often low productive uses, feeding unsustainable levels of consumption, housing bubbles and the accumulation of external and internal debt in some Member States’ (European Commission, 2010d). To this extent, financial imbalances were linked back to questions of competitiveness: asset bubbles were seen as a failure of national policy to facilitate credit inflows away from consumption and into productive industries. This was instead of treating the crisis more squarely as one of an overleveraged financial sector out of control.

Building on this diagnosis of a crisis of competitiveness, policy-makers in the NEG negotiations argued that new governance tools of macroeconomic coordination were needed. Policy-makers widely felt that while fiscal policy had an established coordination mechanism in the SGP, a coordinated macroeconomic policy for Europe was alarmingly underdeveloped. Even where imbalances were not registered as a huge problem in 2008, a Commission report argued that the increasing economic interconnectedness of the EMU, and attendant possible spill-over risks that came with it, meant ‘there is a clear need to broaden surveillance to address macroeconomic imbalances’ (European Commission, 2008, p. 8). By 2010, this feeling was

affirmed. The Commission was explicit in its 2010 reform proposals that ‘it is now time to move to action and harness the framework of economic coordination and surveillance in the euro area in order to prevent future imbalances or detect and tackle them early on’ (European Commission, 2010d). This call to deepen economic coordination to remedy imbalances did not unfold in a governance vacuum. Indeed, the governance instruments of benchmarking competitiveness created at Lisbon had explicitly attempted to coordinate these issues. In a similar fashion to the perception that the SGP had failed, the NEG negotiations built on a similar reflection on the failures of Lisbon.

Lisbon’s Autopsy

Just as with fiscal policy, the crisis of competitiveness and macroeconomic imbalances was interpreted ‘as a failure of governance, rather than a failure of politics or policy’ (Bulmer, 2012, p. 19). Pathologised divergences in labour costs were seen not as product of political decision or macroeconomic dynamics. They were a failing of past governance mechanisms to make the necessary structural reforms opening labour markets that the EU had been preaching since Maastricht. A Commission communication in 2009 argued that ‘broader macroeconomic surveillance is urgently needed to spur a co-ordinated policy response to the competitiveness challenge’ (European Commission, 2009). Likewise, a German contribution to the TFEU argued that ‘the existing system of economic surveillance has failed to identify and tackle structural imbalances and competitive weaknesses in euro area Member States’ (Government of Germany, 2010).

By 2010, it was a widely held opinion that the tools of social and welfare coordination set in motion at Lisbon had failed. Mocking the grandiose ambitions of Lisbon, *The Economist* asked ‘Do Europeans want a dynamic economy?’ (Charlemagne, 2010). *The Economist’s* answer was apparently not, given how profoundly the Lisbon Strategy ‘had failed’. Dissections of Lisbon’s failure had been rumbling since as early as 2005 after the scathing mid-term report of Wim Kok (Kok, 2004). Copeland wrote how compared to the relative speed with which the Single Market had been accomplished, ‘the lack of concrete progress emanating from Lisbon is striking’ (Paul Copeland, 2012, p. 232). Indeed, Tilford and White saw that, if anything, ‘the gap between the best and the worst performing countries is arguably wider in 2010 than it was in 2000’ (Tilford & Whyte, 2010, p. 3).

As is customary in discussions of EU governance, the problem for the EU was not its objectives or politics, it was a problem of implementation. Iain Begg was representative of this perspective in arguing ‘strategic issues can now be regarded as largely settled... A sense of urgency about implementation is now needed’ (Begg, 2006, p. v). Similarly, the mid-term Kok report saw that ‘Lisbon’s direction is right and imperative, but much more urgency is needed in its implementation’ (Kok, 2004, p. 16). The OMC came in for sharp criticism as the centre piece of the EU’s managerial instruments. The Commission’s evaluation of Lisbon considered that while the OMC was meant to drive policy change through the peer pressure of benchmarking, it ended up as just ‘a reporting device rather than one of policy development’ (European Commission, 2010c). Gaming seemed to be rife in the benchmarking exercises of the OMC. Some states seemingly only engaged with the process when it fitted pre-existing domestic agendas (Magnusson, 2005, p. 110). Others reported activities within the OMC they had already done, rather than responding to the agreed criteria the OMC exercises were aiming for (Begg, 2007).

The Commission felt that Lisbon had become overly elaborate – ‘the original strategy gradually developed into an overly complex structure with multiple goals and actions and an unclear division of responsibilities and tasks’ (European Commission, 2010c). Indeed, the number of disjointed and overlapping coordination mechanisms had proliferated since the launch of the OMC. The Kok report lamented that the Lisbon Agenda had spiralled into more than a hundred indicators (Kok, 2004, p. 43). There was a Sustainable Development Strategy, an Energy Policy for Europe, and the Employment Strategy. In addition, there were OMsC for social protection, social inclusion, pensions, immigration, and education. All required reporting from states at different times and to differing standards. The result was that Lisbon had become ‘everything and thus nothing’ (Dawson, 2011, p. 195). Benchmarking competitiveness had certainly given supranational institutions a stake in policy-making, and empowered a public management class in the process, but it was widely seen to have failed in delivering on its stated goals of boosting competitiveness and convergence.

Evaluating this, the widely held conclusion was that the problem of implementation was not the logic of performance management but the intensity it had been applied. The assumption that peer pressure through managerial techniques of benchmarking would generate policy change had proven illusory. What was needed was a firmer hand. Bulmer observed that ‘if peer review is to be effective, stronger sanctions may be needed’ (Bulmer, 2012, p. 46).

Likewise, the Sapir report evaluating the progress of Lisbon in 2003 was already scathing of the leverage the OMC could mobilise to achieve its goals, stressing that ‘the gap between objectives and means must be bridged for the EU to fulfil its commitments’ (Sapir, 2003, p. 156).

The dilemma reflected a key problem triggering the move to managerial instruments like benchmarking competitiveness or fiscal performance management in the first place - the lack of financial instruments or legal authority to leverage administrative action. Searching for such means, reflections on Lisbon asked how the small EU budget, as well as national fiscal policies, could be better aligned with the reform agenda in a manner of budgetary planning. The Sapir report argued that currently ‘the EU budget is a historical relic’ (Sapir, 2003, p. 162). Its excessive focus on the CAP meant the EU had little alignment between its spending and its purported strategic priorities. Likewise, Wim Kok’s report saw that ‘national and European Union policies, including their budgets, must better reflect the Lisbon priorities’ (Kok, 2004, p. 7). By 2010, the Commission’s reflection on the Lisbon Strategy was also concerned with finding ways for the ‘Lisbonisation of structural funds’ (European Commission, 2010c). While the EU was good at making grand objectives, all were concerned that it struggled to find ways to translate this into budget lines and policy change. In searching for ways to pursue the goal of competitiveness, the ghosts of budgetary planning roamed the corridors of Brussels.

5.2 The Price to Save the Euro

Building on this perceived crisis of fiscal and macroeconomic governance, the EU’s governance system underwent an overhaul in 2010. In putting together the NEG, the European Council President Herman van Rompuy’s ‘Task Force on Economic Governance’ (TFEG) took centre stage. The result, according to Michelle Chang, was that the Commission was forced ‘to share the spotlight in an issue that it would normally be the sole agenda setter’ (Chang, 2013, p. 259). Parallel proposals issued by the Commission in 2010 attempted to steal the initiative from the TFEG (European Commission, 2010d). While the proposals did not differ substantially from the TFEG’s, it reflected a jostling for a leadership role over who would set the terms of the NEG (Falkner, 2018). Also notable in this jostling was a Franco-German deal agreed at Deauville that unlocked political agreement on the NEG. For Chang, the deal was the apex of ‘intergovernmental meddling in the economic governance reform process’, side-lining both the

Commission and van Rompuy (Chang, 2013, p. 261). The active role of the Council and national governments in setting the terms of crisis interventions led Christopher Bickerton, Dermot Hodson, and Uwe Puetter to assert the rise of a ‘new intergovernmentalism’, as the supranational Commission was further displaced from its political leadership role in the EU (Bickerton et al., 2015).

Testament to the Commission’s marginalisation as a political leader was it being overlooked when it came to wielding the financial bazookas that would put the crisis to bed. Instead, it was the ECB that was relied upon to solve the crisis once it eventually undertook bond purchases and quantitative easing. To this extent, Eugénia da Conceição-Heldt talk of a ‘subtle disempowerment’ of the Commission through the crisis as authority has flowed into the reluctant arms of the ECB (da Conceição-Heldt, 2016). It was a similar story in the fiscal measures that were ultimately undertaken. Early efforts at stimulus post-2007 were an uncoordinated national affair (Tooze, 2018). The Commission’s attempt to enhance a supranational fiscal capacity in crisis responses, through their 2011 proposal for Eurobonds, gained little momentum and was quickly shut down (Matthijs & McNamara, 2015). When the bailout fund of the ESM was eventually agreed, it was set up outside the EU framework as a separate inter-governmental treaty – excluding the Commission from a substantive role. Just as in the Maastricht debates, states refused to give the Commission any significant role as a supranational fiscal authority. Reflecting this, national official interviewees told Pierre Schlosser that in the crisis reforms ‘we didn’t trust the Commission’ and that any meaningful fiscal role for the Commission ‘is not legitimated in the eyes of Member States’ (Schlosser, 2019, p. 176).

Refounding EMU’s Debt and Deficit Rules

While the Commission did not gain powers as a financial actor in the NEG, their legal powers were seemingly beefed up through strengthened rules on debts, deficits, and competitiveness. The most politically visible changes on this front were the bolstering of the EU’s rules on debts and deficits through the ‘Six-Pack’ reforms. The SGP underwent three major changes in the reforms. First, sanctions were added to the preventive arm of the SGP. Since the changes of 2005, states were reporting against their move towards country-specific budgetary objectives (Medium Term Objective - MTO). There was, however, no mechanism to pressure states moving towards their MTOs until they exceeded the deficit threshold of 3% and disciplinary proceedings could be launched in the Excessive Deficit Procedure (EDP). The

concern that states had not used the ‘good times’ when public finances may have nominally been fine, but their underlying balance less secure, pushed the argument that the SGP needed a means to intervene into national finances before an excessive deficit hit.

The second change broadened disciplinary measures for states exceeding the 60 percent debt limit. Previously, only breaching the deficit limit was a trigger for the EDP. The financial crisis had though been figured as one of public debt, reflecting Greece’s legacy of large public debt and Ireland’s explosion of public debt after taking on colossal banking liabilities. Consequently, the NEG added a mechanism to launch sanctions for exceeding debt limits.

The final major change to the SGP was the introduction of reverse qualified majority voting (RQMV). The effect was to empower the Commission in the procedural steps of the SGP. The political suspension of the SGP in 2003 via blocking votes in the Council, against Commission proposals to launch EDPs against France and Germany, hung heavily in the air in this decision. The move to RQMV was intended to enhance the automaticity of sanctioning – a key desire of the ECB. A Commission proposal was to be considered adopted unless a majority in the Council could block it. The changes made to the SGP vastly ramped up its legal disciplinary intent - sanctions were intended to be adopted earlier, on more issues, and with less political manoeuvring.

The culmination of the turn to authoritarian austerity, however, came in 2012 with the Fiscal Compact. The Pact was an intergovernmental treaty signed by all Eurozone members and non-eurozone members (with the exception of the Czech Republic and the UK). That it was agreed outside the EU’s legislative framework was telling of its severity. The level of constitutionalised austerity it called for had no legal foundation within the EU (Oberndorfer, 2015). At the heart of the Fiscal Compact was an agreement to integrate into national constitutions a balanced budget rule, akin to what Germany had adopted in its ‘debt brake’ in 2009, and to establish independent fiscal boards to supervise national spending. If countries did not comply with the treaty, there was the possibility the Commission could refer the case to the ECJ. The pact seemingly confirmed that rules were back in the EU. Austerity had gone constitutional again after a brief hiatus of managerial ‘governance’ in the 2000s.

Constitutionalising Competitiveness

While rules on debts and deficits were somewhat familiar, a significant shift of the NEG was to adopt a rules-based, rather than voluntary, system of macroeconomic coordination.

The BEPGs and the various OMsC in employment and welfare had been the centrepiece of the governance turn. In a familiar pattern of governance of stepping outside established institutions, political resistance to traditional joint budgetary instruments meant the OMsC in particular worked at the margins of EU institutions as an intergovernmental process. An option during the EU Constitutional Treaty debates in the mid-2000s to institutionalise these OMsC had been rejected. Governments preferred to keep them voluntary and marginal to traditional policy-making (Kenneth A. Armstrong, 2012, p. 211).

The diagnosis that the crisis stemmed from an implementation deficit of macroeconomic coordination, producing the severe imbalances of the 2010s, radically changed this perspective. In response, the managerial logic of benchmarking competitiveness was intensified and given legal foundation in the NEG. The key instrument of this was a brand new mechanism the Macroeconomic Imbalance Procedure (MIP). The MIP was a major shift in EU governance. Herman van Rompuy argued in October 2010 that the MIP would be ‘in my view the biggest innovation’ of the NEG (European Council, 2010). Through the MIP, benchmarking competitiveness was institutionalised in the EU’s regulatory structure.

The centre-piece of the MIP is a scoreboard of macroeconomic indicators which, through upper and lower thresholds, monitors possible imbalances. Building on a diagnosis that internal competitiveness divergences were the cause of the crisis, the scoreboard has a heavy bias. Current account thresholds are skewed towards monitoring deficits over surpluses. The threshold for a problematic current account is a deficit of 4% of GDP, but it is 6% for surpluses. Notably, this threshold was fractionally above the surplus Germany was posting as the MIP was agreed (Interview 13, National permanent representative official). More revealing is the prominence given to unit labour costs, a key competitiveness indicator for the EU. Unit labour costs only constitute imbalances when increasing by more than 9% over three years. In contrast, excessive wage restraint cannot constitute an imbalance in the MIP.

The MIP’s structure was largely modelled on the SGP, divided between preventive and corrective arms. In the preventive arm, the Commission monitors possible imbalances through an annual Alert Mechanism Report (AMR) based on reading the scoreboard. Where an imbalance is identified by the Commission, countries can be subject to closer examination through In-Depth Reviews (IDR). This consists of a detailed report on the nature of imbalances within a country. Where an ‘excessive imbalance’ is detected, the Commission can make a recommendation to the Council to place a state in the corrective arm of the MIP: the Excessive

Imbalance Procedure (EIP). The EIP places countries under significant Commission monitoring. At its most extreme, the EIP contains the possibility of applying annual fines of 0.1 percent of GDP in cases of repeated non-compliance with reform recommendations.

The adoption of the MIP marked a significant shift in EU governance. Benchmarking competitiveness had used performance management of welfare, labour market, and macroeconomic policies as a solution to political resistance to supranational institutions wielding common financial resources, but also legal instruments of budget sanctions through the SGP. The MIP's adoption continued to reject that common financial resources would carry the burden of bringing macroeconomic instability.²⁰ Instead, the MIP attempted to resolve instability by bringing together the managerial logic of benchmarking with a drive to bolster the legal powers of supranational institutions. The Commission would scoreboard the EU's diverse national economies. States falling foul of analytically determined thresholds would be legally compelled to respond. Managerialism seemed to be given teeth.

Meeting the Rhineland's Tribute

The ramping up of rules and sanctions in the NEG dominated news headlines of EU crisis responses. Their significance for understanding how the NEG has functioned is, however, of less use. Instead, the purpose of drastically scaling up rules on debts, deficits, and competitiveness was relevant in their function as political tributes. Rules opened the door for intergovernmental and ECB agreement to establish crisis resolution instruments in the ESM and the ECB's bond purchases, rather than actually operable administrative instruments of the NEG.

What was necessary to resolve the crisis was not impossible to imagine: the Eurozone needed a massive recapitalisation of Europe's banks; a broad and accessible European bailout fund to defend smaller states at risk of being overwhelmed by banking liabilities; and a combination of creditor involvement in debt restructuring and a much more activist sovereign bond purchasing programme to stabilise bond markets spooked by bondholder haircuts.

While Treaty restrictions on bailouts and debt monetarization were an obstacle, EU rules are made to be broken. The blockages were in the end political (Mody, 2018; Tooze, 2018). Creditor states – notably Germany and the Netherlands – refused to countenance debt

²⁰ While the ESM did create a common fund, its financial assistance was for emergencies and came with tight conditions. In terms of day-to-day macroeconomic governance, the MIP reflected the emphasis placed on managerial planning rather than resource allocation.

mutualisation. This politically ruled out sovereign bond purchases and recapitalisations undertaken by the ECB or via Eurobonds. The extension of financial support to indebted countries was not opposed by Germany in principle. But it had to either come with severe bondholder haircuts or impose taxing austerity measures on recipient countries if it was to use German taxpayer money. For the ECB, however, bondholder haircuts were out of the question without an adequate and permanent stabilisation fund. Without this fund, the ECB felt haircuts would unleash turmoil on bond market, as creditors of other indebted governments jumped ship lest they were next in line. For France, financial stability was likewise paramount. The country stood at the top of a colossal Eurozone pyramid of debt (Tooze, 2018, p. 260). Resolving the insolvency of Greece through debt restructuring was less important than preventing the toppling of this pyramid that led through the banking liabilities of Ireland and Spain, up to the vast public debts of Italy, and finally France with its massive debts and even bigger banking liabilities (Tooze, 2018, p. 260). The crisis of the Franco-Belgian bank Dexia, heavily exposed to Greek sovereign debt, and already suffering from the fallout of its US operations, testified to this French fear (Pignal, 2011).

The result of these clashing priorities was years of lurching between crises as the EU's institutions and Member States tested each other's resolve. Each tentative step towards a final resolution came with extracting the tribute of fiscal and competitiveness rules, but never quite enough to put an end to the crisis. After the first Greek bailout in May 2010, the ECB's concession to EU governments was to launch the Securities Market Programme (SMP) of bond buying in May 2010, but it was never enough and too temporary to have any lasting effect.

Ireland's 85 billion bailout in November 2010 revealed this inter-institutional brinkmanship most clearly (Tooze, 2018, p. 287). In October 2010, France and Germany agreed at Deauville to establish a more lasting stabilisation arrangement, in what would become the ESM in 2013, along with settling political agreement to the terms bolstering the SGP. The agreement came with a vow that private creditors would have to contribute to any future bailout assistance. The deal enraged the ECB, fearing the pronouncement would wreak havoc in bond markets. In reaction, the infamous 'Irish letters' removed the ECB's Emergency Liquidity Assistance from Ireland and demanded that they immediately apply to Eurozone governments for a bailout. The ECB was not going to do the financial stabilisation job it felt Eurozone governments should be doing.

After the ECB had flexed its muscles, it was revealed that extracting monetary cooperation from the ECB required fiscal concessions. The agreement on the ‘Six-Pack’ reforms in 2011, significantly bolstering economic governance rules, in return extracted the relaunch of the Longer-Term Refinancing Operation (LTRO) from the ECB that had expired. But it was the sweeping rules of the Fiscal Compact that unlocked the ECB’s full balance sheet arsenal and German agreement to put an end to the incessant sovereign debt and banking crises in the Eurozone (Schlosser, 2019, p. 46). Registering the political commitment the Fiscal Compact implied, and as the ESM was taking effect, Draghi’s 2012 ‘whatever it takes’ speech signalled that the ECB was prepared to purchase bonds on a scale that would put sovereign debt risks to bed. Indeed, the turn to QE in 2015, by an ECB that had hitherto been fiercely resistant, revealed the monetary financing doors rules unlocked in the Eurozone.

5.3 The Familiar Slippage of Rules

While the NEG strengthened the stridency of the rules-based system of fiscal and macroeconomic coordination, in a familiar pattern of the EU the implementation proved something different. To begin with, while the resurrection of rules in the NEG has dominated our critical theorisations of the EU, the rules were never as stringent as commonly imagined. In relation to the SGP, while the added automaticity gained a lot of attention, the resulting regulation changes were not as strict as the politics surrounding them suggested. The idea to add sanctions into the preventive arm of the SGP was first raised by the Commission in proposals of May 2010. The Commission proposed that interest bearing deposits could be applied to member states making insufficient progress towards their budgetary objectives (European Commission, 2010d). From this initial proposal, in the early negotiations within the TFEU the options placed on the table were draconian. Threats ranged from a widely shared view that access to EU funds or Council voting rights should be made conditional on adhering to fiscal rules, to an extreme perspective from Slovakia for an ‘ultimate penalty in the form of orderly exit from the Eurozone’ (Council of the European Union, 2010; Government of Slovakia, 2010). Among the most forthright was the ECB. They argued that automatic ‘sanctions should be initiated in any case when a country exceeds the 3% of GDP deficit limit’ (ECB, 2010b).

In the end, however, while the ECB was willing to flex its balance sheet, it was left disappointed with the outcome of the Six-Pack. The application of sanctions in the preventive arm were not automatic, although they were applied through RQMV. In response to the publication of the TFEG report, the ECB complained that the proposals ‘do not go as far as the quantum leap in the economic governance of Monetary Union that it has been calling for’ (ECB, 2010a). Of particular complaint was that there was ‘insufficient automaticity’ in the use of sanctions. In a September 2011 paper, the ECB complained that the reforms ‘still leave a considerable degree of administrative and political discretion at each stage of the process’ (Schuknecht et al., 2011).

Indeed, despite the well-publicised beefing of rules and sanctions in the Eurozone, the new SGP had significant discretion and complicating ambiguities built into it. The addition of an expenditure benchmark into assessments of budgetary performance, alongside the already ambiguous indicator of a structural deficit, diluted the simplicity of the SGP by creating options over how compliance was determined. Testament to this, the expenditure benchmark has been ‘effectively allowing cherry-picking by Member States of the measure less unfavourable’ in determining their compliance with fiscal rules (European Fiscal Board, 2019, p. 85). Other forms of flexibility built into the reformed SGP included an unusual events clause, an escape clause for severe economic downturns, and a series of permitted factors in assessing whether to open an EDP (European Fiscal Board, 2019, p. 83). This was in addition to the flexibility already added in 2005 on allowances for structural reform, implicit liabilities, and investment. While the beefed rules of the SGP made headlines, the significance of the actual reforms in 2011 vastly complicated the governance of deficits and debts through a number of new procedural steps and allowances.

It was not only the reformed SGP that was less stringent than the news headlines suggested. The centrepiece of the new constitutionalised regime of austerity, the Fiscal Compact, was almost entirely devoid of administrative procedures to ensure its implementation. While it made big claims on states implementing balanced budget rules, its integration into EU governance has merely been based on voluntary reporting within the European Semester. Instead of being significant to how fiscal coordination has operated in the EU since its adoption, the Pact was a tribute. A review in 2017 from the Commission found that most countries had broadly complied with implementing the Fiscal Compact’s provisions (European Commission, 2017a). But this implementation was seemingly in name rather than substance. For the ECB, the

Commission's report swept the Fiscal Compact under the carpet – many countries had not effectively transposed the agreement but had only signalled an intention to do so (ECB, 2017). Instead, for the ECB 'the slow and incomplete transposition of the fiscal compact is disappointing' (ECB, 2017, p. 3).

Likewise to the SGP, the new MIP fell far short of what was imagined in the draconian beefing up of rules for the Eurozone. What was meant to be a rules-based system of macroeconomic coordination was instead described by Scharpf as 'an entirely discretionary regime whose scope of delegated authority far exceeds the limits of generally allowable delegation in constitutional democracies' (Scharpf, 2015a, p. 393).

The original intention of the MIP for some actors, notably the ECB, was much more strident than what was eventually created. The Commission were strong advocates for sanctions in the MIP. In the Commission's words, 'No sanction - no attention' (European Commission, 2010a). Although, this was a turnaround from the Commission's early musings on a new mechanism for imbalances. In their communication of May 2010, there was no mention of sanctions in a new tool for macroeconomic imbalances. The most stringent proposals from the ECB argued that scoreboard indicators should be used prominently within the procedure to automatically trigger disciplinary action. The ECB sought to play down the relevance of judgement within the interpretation of the scoreboard and rely more directly on a quantitative signalling drawn directly from indicators. To do so, the ECB proposed a traffic light system for the MIP where breaching a statistical threshold would lead to automatically increasing levels of surveillance and sanctions (ECB, 2010c). For its part, the final TFEG report proposed the MIP would use the same sanction regime as the SPG – thereby including the possibility of sanctions also in the preventive part (Task Force on Economic Governance, 2010). While sanctions were added to the MIP, they did not come close to the pacing or severity that the ECB or TFEG hoped for. Indeed, the ECB expressed strong dissatisfaction with the final TFEG report – let alone the final product – 'that financial sanctions have not been explicitly retained under the macroeconomic surveillance procedure' (ECB, 2010a).

The watering down of sanctions in the MIP built from a premise that countries opposed the right of supranational institutions to punish states for macroeconomic developments largely beyond their control. Sanctioning states for the presence of a nominal imbalance in levels of private debt or wage developments, where governments had little direct policy control, was not palatable for most. Cyprus spoke for many in October 2010 saying that

‘it has to be clear what Governments are capable of doing in these circumstances and whether it is in their control to rectify the situation’ if sanctions are to be used in the MIP (Government of Cyprus, 2010). The Commission admitted this in asserting that the staging of any sanctioning regime must consider ‘the fact that not all policy levers are under the direct control of national governments and that economic policy tends to have a lagged impact on the correction of imbalances’ (European Commission, 2010b).

The eventual design of the MIP’s sanction regime was not the automaticity of the ECB’s hope, but a discretionary decision from the Council built from interpretative analytical judgement by the Commission. This was a point pushed by France in the TFEF negotiations. France made clear they were ‘not convinced by the opportunity to include financial sanctions rather than reputation sanctions’ (Government of France, 2010). Nevertheless, France conceded they would be willing to go along with MIP sanctions on the condition ‘there should be no automaticity at all’ - implying sanctions must be linked to non-cooperative behaviour from states, based on a political judgement of the Commission and Council, and not simply the presence of an imbalance (Government of France, 2010). Likewise, a Commission/Council interviewee reported that the nature of macroeconomic imbalances means ‘you cannot make a mechanical system with these things because they are very judgemental’ (Interview 17, DG ECFIN/ECOFIN Council official). The diversity of possible macroeconomic problems beyond those captured in the scoreboard, the political sensitivities surrounding them, and the capacity of governments to actually respond to them, meant that using a managerial instrument of macroeconomic coordination, like the scoreboard of the MIP, would necessitate a discretionary approach rather than one that could adhere to fixed procedural rules.

If the rules of the NEG were loose, the implementation of them was even looser. The onset of recession meant that the flexibility of the EU’s new rules has been actively mobilised. This has most visibly manifest in the deliberate introduction of flexibility into the application of the SGP since 2014. European Council conclusions in June 2014 said that the need for economic growth ‘requires making best use of the flexibility that is built into the existing Stability and Growth Pact rules’ (European Council, 2014). Following this up, the Commission issued an ‘interpretative’ communication in January 2015 that reconsidered the margins of discretion that could be flexed in the SGP (European Commission, 2015b). The Commission highlighted three factors that would give national governments greater ‘fiscal space’ while remaining compliant with the SGP – public investment (specifically contributions to EU investment programmes)

would not count towards deficits; structural reforms would be taken into greater consideration; and a country's position in its business cycle would be considered (Sarmiento, 2018, pp. 29–30).

Stretching this flexibility to its fullest, and giving almost total latitude to the Commission in its assessments, was the 2017 addition of a provision for a 'margin of discretion' into the preventive arm (European Fiscal Board, 2019, p. 21). The change came out of heated clashes between Brussels and Italy over the country's budgetary plans in 2016 (Brunsden, 2016). Compromising with the Italian government, the Commission proposed adding a 'margin of discretion' which allows Member States to be compliant with the rules, even if the indicators suggest deviation from their MTO. The addition was only used for 2018, being dismissed by member states (European Fiscal Board, 2019, p. 86). Nevertheless, the use of the provision reflected how far the SGP had come from the draconian rules proposed in 2011. Whereas the NEG had preached rules, in practice it was political discretion which was implemented. For Hodson, the intensity and frequency that the rules of the SGP have been put aside since the NEG was adopted 'challenge[s] claims that the Stability and Growth Pact entails a rigid set of fiscal rules' (Hodson, 2017, p. 128).

Likewise to the SGP, the MIP has never been applied as it was intended in the strict rules of the NEG. Building on the concerns raised in the negotiations, the sanctioning procedure of the MIP has proven impossible to mobilise. As one national official reported, the Excessive Imbalance Procedure (EIP) 'has not been used and it will not be possible to use it' (Interview 7, national permanent representative official). The procedure began at the end of 2011 and, despite years of crisis and many countries experiencing excessive imbalances, the EIP has never been triggered. In a context where many countries are experiencing different forms of imbalances in a highly dynamic crisis, mobilising a legal sanctioning regime comes with great political risk for the EU over who to target, how to weight the severity of different imbalances, and when to initiate a proceeding. As one national government interviewee described, after the initial failure to trigger the EIP for current account divergences (a core imbalance) at the height of the Eurozone crisis, the idea of then using the sanction process for other imbalances and at other times became politically unthinkable (Interview 8, national permanent representative official).

Indeed, for the Commission, the EIP has been 'politically difficult to handle' (Interview 16, DG ECFIN official). While almost every country has triggered the MIP's scoreboard thresholds, and some severely, the Commission has opted instead to creatively tweak the MIP's procedural steps rather than use the instrument as it is laid out in the regulations. The

first five years of the MIP saw the Commission invent as many as six categories of imbalance to avoid launching an EIP while escalating country monitoring (European Commission, 2020, p. 36).²¹ While this was regularised to four categories after 2015, it reflected the lengths of administrative gimmickry the Commission has gone to in the MIP to avoid using it as the strict procedural instrument that it was originally intended to be.

This challenge of using the MIP as a legal instrument reflects the longstanding dilemma of supranational authority. The Commission had carved itself a managerial role of information processing in the reforms of the 2000s. Adding teeth to this role as the MIP had attempted neglected that the reason for this managerial function was the limited legal authority of supranational governance. While the MIP attempted to legalise managerialism (Hodson, 2018), the implementation of the procedure revealed that the EU continued to suffer from an inability to mobilise its legal instruments as they were written in the regulations.

Conclusion

The Eurozone crisis led to an overhaul of economic governance. The euphoria around a new age of ‘governance’ hit the wall of financial crisis and recession in the 2010s. In the NEG, it appeared that managerial coordination was being replaced by the original neo/ordoliberal intent of the EMU as an international monetary constitution that used rules to discipline member states. Sanctions on excessive debts, deficits, and competitiveness would apply earlier and more harshly than had previously been the case. As this chapter has shown, however, and as was the case with the original SGP, there were severe limits on the extent to which national governments would allow themselves to be bound by supranational legal authority. In the end, the sanctioning powers of the EU’s governance system was never usable as laid out in the regulations and directives of the NEG. The chapter has argued that this inability to mobilise the legal authority of European institutions since the crisis reflects the enduring dilemma of supranational authority in Europe.

The next chapter will show how, while the EU’s rules did not live up to their intentions, supranational institutions have nevertheless found ways to expand their stake within policy-making. Alongside the legal sanctioning powers created in crisis responses, a ‘silent revolution’

²¹ For the sake of demonstrating the level of administrative sophistry used in the MIP, these six categories are: "no imbalances"; "imbalances, which require monitoring and policy action"; "imbalances, which require monitoring and decisive policy action"; "imbalances, which require specific monitoring and decisive policy action"; "excessive imbalances, which require specific monitoring and decisive policy action"; "excessive imbalance with EIP".

of policy surveillance considerably broadened the managerial planning authority of the European Commission. In doing so, a democratic paradox has opened. On one side, the managerialisation of EU governance has meant policy-making has become reduced to an intra-executive regime of performance management which, on its own KPIs, is severely failing. For public managers like Scharpf and Majone, the implications of this are that tight limits need to be placed on the trajectory of European integration. In contrast to this perspective, the European Commission continues to see its legitimacy as hinged on the use of number-based policy instruments. In a managerialised EU, managerial planning has increasingly become synonymous with democracy.

Chapter 6: 'The Post-Crisis 'Silent Revolution' of EU Public Management

Introduction

"What is going on is a silent revolution... The member states have accepted - and I hope they understood it exactly – but they have accepted very important powers of the European institutions regarding surveillance, and a much stricter control of the public finances"

Commission President Jose Manuel Barroso, March 2010 (Phillips, 2011)

The Eurozone crisis triggered an overhaul of the EU's governance system creating the New Economic Governance (NEG). Initially, it appeared in the NEG that the Eurozone would become the rules-based union dreamed of by neoliberals. In this imaginary neoliberal world, legal limits on debts, deficits, and competitiveness would be enforced through supranational legal intervention. As it turned out, the politics of the Eurozone crisis was not dictated by the rule of law, but a discretionary executive politics between national governments in the conference rooms of the Eurogroup and the data analysis of the Commission's . The previous chapter showed how, while the EU wrote a lot of rules through the crisis, they have rarely been mobilised as the legal instruments they were imagined to be.

This development that the EU's crisis responses were often outside the law and driven by executive politics has not been lost on the critical literature on the EU. Crum spoke of the rise of an 'executive federalism' operating outside of parliamentary oversight (Crum, 2013). Bonefeld similarly saw an 'assertion of executive managerialism' and the 'coming to power of an "unbound" executive' in Eurozone crisis responses (Bonefeld, 2017, p. 756). A huge number of concepts arose to account for this development in the EU, such as authoritarian statism (Sandbeck & Schneider, 2014), bureaucratic Caesarism (Durand & Keucheyan, 2015), authoritarian neoliberalism (Bruff, 2016), crisis constitutionalism (Bieling, 2015), authoritarian liberalism (Bonefeld, 2017), and authoritarian constitutionalism (Oberndorfer, 2015). What united these concepts was a view that whereas 'new constitutionalist' political institutions have always stood behind neoliberal integration (Bieler & Morton, 2001; Gill, 1998), there has been since the crisis a more activist state imposition of neoliberalism by the executives of Europe in

national capitals and the corridors of Brussels and Frankfurt. This ‘authoritarian’ turn to integration was defined by a deeper depoliticisation of economic governance into rules on debts, deficits, and competitiveness, and a greater use of executive power to attack rights and mandate neoliberal adjustment (Bieling, 2015, p. 105; Bruff, 2014, p. 115).

Despite scholars identifying the rise of a discretionary executive politics in the EU since the crisis, it is puzzling that many of the concepts mobilised to make sense of it continue to speak to the authority of rules governing the Eurozone that have never been used. In contrast, this final chapter argues that the displacement of rules governing the Eurozone by an ‘executive managerialism’, in Bonefeld’s words, should be interpreted as a consolidation of the managerial turn first taken as ‘governance’ in the 1990s. In doing so, I show the distinctive managerial forms of supranational authority that have been consolidated into the day-to-day policy-making of the EU by placing them in the historical context built across the thesis. Alongside the toughened sanctions of the NEG came the ‘silent revolution’ described by former Commission President Barroso. In the spirit of boosting compliance with the Eurozone’s rules, member states agreed in the NEG to open their books to the scrutiny of the European Commission, as they had done similarly in the reforms to the SGP in 2005. As the legal authority of the NEG slipped away in the face of resistance to the use of the EU’s sanctioning powers, the Commission has nevertheless been left with an expanded authority as a planner through its sweeping monitoring and evaluation capacities.

As a way to make sense of the issue of democracy in the EU’s ‘authoritarian’ slide, this chapter shows how the consolidation of the EU’s managerial state has opened a democratic paradox. Rather than leading to a depoliticisation of governance into technocratic rule, I show there has been a divergence in the understanding of the managerial sources of legitimation EU institutions appealed to since the governance turn of the 1990s. For the public management community as represented by Majone and Scharpf, the crisis exposed the limits to both the EU’s ability to govern effectively and (thereby) the extent to which an effectiveness criterion could be adequately applied to the EU. Increasingly, public managers have taken the view that the EU must either move its managerial interventions out of public view or scale back its interventions. European officials, however, have taken a sharply different perspective. Facing a legitimacy crisis after years of austerity, the Juncker Commission in particular embarked on a mission to strengthen the EU’s social agenda by deepening the tools of quantified managerial planning. Getting measurement right through managerial instruments has become increasingly tied to the

political ambitions of the Commission and the criterion they seek to be judged. This is more than the use of numbers as symbolic instruments of legitimation, rather it is the redefinition of democracy in the idiom of public management that is being attempted by European institutions. The politics of numbers as instruments of supranational governance has thus taken on a double meaning - on one side a symbol of democratic impoverishment in the EU and on the other side a source of its redemption.

6.1 The 'Silent Revolution' of the New Economic Governance

As the previous chapter established, the Commission was excluded from managing financial resources of its own and was never able to wield the legal authority embodied in the new rules of the NEG. Nevertheless, the changes of Barroso's 'silent revolution' spoke to the fact that what was agreed in the NEG opened the door to a subtle empowerment of the Commission along lines besides financial and legal. Instead, the Commission's planning powers were enhanced. Two changes of the NEG most significantly reveal this shift. First, the 'Two-Pack' of regulations on fiscal coordination and, second, the introduction of the coordination architecture of the 'European Semester' (See also Bauer and Becker, 2014).

The 2013 Two-Pack was a complement to the 2011 Six-Pack discussed in the previous chapter. Unlike the earlier reforms of the NEG, the Two-Pack was squarely initiated by the Commission. The framing of the measures was to tidy up the loose ends of the NEG from the 2010/2011 negotiations (Schlosser, 2019, p. 61). The measures were uncontroversial among member states, passing the legislative process without controversy (Falkner, 2018, p. 242). The first part of the Two-Pack (Regulation 472/2013) normalised and institutionalised the deep levels of surveillance of countries receiving financial assistance from the Eurozone's many bailout mechanisms and in 'post-programme' monitoring. To this extent the regulation brought into the legal framework of the EU the monitoring and conditionalities built into the assortment of European bailout instruments (Schlosser, 2019, p. 62). The second part of the Two-Pack (Regulation 473/2013) was seemingly innocuous. It synchronized the fiscal calendars of member states to better coordinate budgetary planning. Contained in its provisions, though, was a bombshell. Controversially, the Commission was given the authority to review draft budgets of member states even before national parliaments had considered them (Schlosser, 2019, p. 66).

The change dealt a blow to core principles of fiscal sovereignty that the control of public finance lies first and foremost with legislatures. Instead, the change placed the Commission as a layer of managerial evaluation between elected parliaments and the discharge of public finance.

This latter shift was key in the silent revolution by expanding the Commission's managerial oversight. As discussed in chapter four, the move to fiscal sustainability and quality in 2005 had shifted Commission scrutiny of fiscal policy from achieving nominal rules to reviewing the contents of budgets. The NEG invigorated this process. Seemingly, it was only once the changes were passed that their enormity was registered. Provisions within the 2009 Lisbon Treaty had made possible a greater level of supranational intrusion into national fiscal policy. Interviewees reported to Laffan and Schlosser that the Two-Pack stretched this legal base 'to their full potential' (Laffan & Schlosser, 2016, p. 243). Indeed, the Commission was taken aback by the willingness of states to submit themselves to such supranational budgetary scrutiny, telling Laffan and Schlosser that 'with some historical distance it is a folly. Never on earth could we have imagined this a few years ago' (Laffan & Schlosser, 2016, p. 243).

Just as had happened in 2005, national governments refused to countenance empowering the Commission as a financial or legal authority. But they overlooked the empowerment of the institution as a managerial monitor of fiscal performance. The Commission's weak legal authority, despite the new rules of the NEG, meant it was mostly unable to force states to change their budgets. A battle with Italy in 2019 was testament to this (Smith-Meyer, 2019). Nevertheless, the terms of the NEG invigorated the Commission's positionality within European policy-making as a managerial evaluator of fiscal policy performance such that it could even engage in battles like that with Italy in the first place. What was needed was a means for the Commission to capitalise on its managerial function of planning rather than compelling.

The second change opened the door to such a possibility with the introduction of the European Semester. The Semester was created in 2010 as part of the Six-Pack.²² Its purpose was the 'coordination of coordination' of the EU's many policy mechanisms (Kenneth A. Armstrong, 2012, p. 225). Economic governance in the EU was a mess of intergovernmental coordination. Reporting existed for Joint Employment Reports; the SGP; OMsC on social

²² Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32011R1175>

protection, inclusion, and others; reporting from the remnants of Lisbon; not to mention new reporting under the MIP, the European Systemic Risk Board, the European Fiscal Board, Competitiveness Authorities, or Europe 2020. All broadly existed under the banner of economic governance. But they were uncoordinated and, at times, contradictory. The purpose of the Semester was to construct a single coordination cycle where all would feed in together. With the Commission at the analysis and reporting apex, a yearly Annual Growth Survey delivers a broad analysis based on all mechanisms, followed by Country Reports/In-Depth Reviews commenting on individual country situations. Following this, the Commission issues Country-Specific Recommendations agreed by the Council and in dialogue with the Parliament to feed into national policy-making processes. This ‘vertical’ governance system has increasing levels of obligation through the various legal mechanisms like the SGP/MIP/ESM (Jordan et al., 2020).

The Semester was meant to consolidate and simplify the EU’s complicated governance system. In practice, the Semester has placed the Commission more squarely at the centre of a singular planning process in the EU. This has been a development noted by the Fiscal Board in a recent evaluation of the NEG (European Fiscal Board, 2019). The board observed that the NEG had brought a ‘bilateralisation’ of coordination that was ‘increasingly based on negotiations between the Commission and the member states concerned’ rather than intergovernmental deliberations in the Council as was previously the case (European Fiscal Board, 2019, p. 87). Two major reasons for this bilateralisation are the legal and technical uncertainties of coordination through the Semester’s unitary planning process.

Besides the Treaties, the legal base for policy coordination between member states that the Semester has consolidated is spread across a variety of separate policy instruments like the SGP/MIP/ESM/Europe 2020 and more. Sonja Bekker has noted that rather than clarifying these steps, the Semester has introduced a high level of ambiguity in terms of what procedure is actually being mobilised in the issuing of which recommendations (Bekker, 2013, p. 16). In issuing singular policy recommendations to states, the Commission therefore has a variety of mechanisms and data sources to choose from, which often pull in opposite directions. While the SGP might preach austerity, Europe 2020 beckons states towards targets on poverty reduction. The Commission therefore has significant discretion to pursue different lines of argument in proposing recommendations, while still able to frame them through the objectivity of a quantitatively-grounded analysis in the range of scoreboards and indicators guiding policy in the EU’s planning system.

In addition to the legal ambiguity of the Semester's many instruments, the Fiscal Board's noted bilateralisation has been a paradoxical consequence of the introduction of reverse qualified majority voting (RQMV) in the NEG. RQMV was meant to improve the automaticity of sanctions. Commission proposals for policy adjustment would need a majority in the Council to be voted down. The political unpalatability of legal sanctions, though, has meant there is more informality to the Commission's bilateral evaluation of national policies. By engaging bilaterally through country visits and exchanges (made possible because of the expanded reporting requirements of the NEG), the Commission avoids reaching a situation where a proposal is put before the Council that legally would be difficult to strike down (because of RQMV) but is too politically controversial for governments to accept. As seen in the last chapter, the SGP/MIP have had all sorts of acceptable deviations and modified interpretations of compliance built into them. The result has been that changes that were meant to remove political discretion through deepened rules have instead recalibrated discretion bilaterally between the Commission and national governments. While the Commission finds itself unable to use its instruments as a legal tool, the Commission has been empowered *through* this weakness as a managerial evaluator of national policies in its day-to-day interactions with governments.

Alongside these legal sources of managerial empowerment, the growing complexity of what it means to be compliant with EU rules has enhanced the Commission's role as an information processor. Definitions of compliance with the EU's rules is increasingly determined not be the achievement of nominal quantitative targets, but complex and contextual evaluations of dynamic policy performance data. As a result, more onus has been put on the shoulders of analysts in the EU's technical institutions, rather than high-level political discussions between national representatives in the Council's committee halls, to deliver assessments of what compliance means.

The MIP is a prominent example of this. Competitiveness monitoring certainly took a more legalised form in the MIP. But the decision to move away from the automaticity of sanctions via the scoreboard, discussed in the previous chapter, has meant that high levels of discretion has been built into the procedure. The scoreboard, rather than a procedural mechanism, is instead envisaged as 'filtering device for detecting *prima-facie* cases of possible imbalances deserving further investigation' (European Commission, 2016b, p. 6). It is judgement within the Commission that determines whether an imbalance is present, not what the numbers say.

While weakening the MIP as a ‘rules-based’ mechanism where discipline follows automatically from a reading of indicators, the MIP has instead become an ambiguous and open ended managerial instrument reliant on an interpretation of the scoreboard. By selectively mobilising indicators, or even developing a country analysis outside of what the scoreboard implies, the Commission has vast scope to use the MIP as a vehicle of its empowerment as an information processor. Indeed, this casting of the MIP as a managerial tool for policy planning rather than a technical-legal instrument of discipline has been explicitly advocated by EU institutions. The Five Presidents report in 2015, for example, argued that the purpose of the MIP was to ‘not just detect imbalances but also to encourage structural reforms’ (European Commission, 2015a, p. 8). Likewise, an interviewed government official described how ‘At the end of the day my bottom line is the procedure is just a way to force countries to do something on the reform side’ (Interview 13, national permanent representative official).

The sum of these changes has been that the beefing of rules in the NEG did not empower the Commission’s ordoliberal legal authority as has commonly been theorised. Instead, it has consolidated the Commission’s role as an information processor and strategist that builds on a totally different conception of governance compared to ordoliberalism. Rather than order and discipline, the Commission’s management function emphasises its capacity to process dynamic performance data in order make responsive strategic decisions on the necessary direction of national reform. Barroso’s ‘silent revolution’ has therefore had the consequence of empowering the Commission as a planner in the sense of public management discussed in chapter two.

While the legal and coercive capacity of the Commission to actually compel states to follow its recommendations and analysis is severely constrained. What is important here is that the NEG has evolved to privilege the Commission’s role as an analyst to (selectively) judge policy performance and engage with national governments directly in steering their choices. It is a testament to the building of supranational governance through planning, rather than legal-financial authority. As the next section will demonstrate, this fact is revealed through an analysis of how the Commission has used the NEG’s ambiguities to steer the EU’s planning machine in line with its own political priorities.

Pursuing Policy Through the Planning Infrastructure

The empowerment of the Commission's management function since the crisis has been recognised by scholars of administrative reform like Michael Bauer and Stefan Becker (Bauer & Becker, 2014). Others have downplayed the significance of this enlarged managerial function for the Commission, treating it as a weakness given the Commission's side-lining as an agent of change in the EU compared to national governments or the ECB (da Conceição-Heldt, 2016). In this framing, the Commission has merely become responsible for the implementation of the policies of powerful European governments, while the most interesting supranational forms of agency are found in the extraordinary monetary interventions of the ECB. I argue here that the Commission's enlarged managerial function is not a technical or neutral one. The Commission has been using its information processing and strategic planning capacities to pursue its own political objectives. The significance of this is not the depoliticisation of economic governance, or how quantitative performance management tools create neoliberal subjects. Rather, it is how the Commission heavily relies on the managerial formatting of public policy to build its stake in policy-making.

A major example of this is how the Commission has used its consolidated planning infrastructure to pursue austerity not only in terms of the governance of deficits and debts in the SGP, but across a broad range of economic and social policies. This has been a development noted by Bart Vanhercke, Mark Dawson, Amandine Crespy, and Paul Copeland, among others (Paul Copeland & Daly, 2015; Dawson, 2011, p. 192; Vanhercke, 2011, p. 41). The first major step in this direction was in the Greek bailout's Memorandum of Understanding (MoU) of April 2010 (Baeten & Vanhercke, 2017). In a push for drastic levels of austerity from a Greek state in fiscal distress, the MoU came with 'detailed instructions for reforming the healthcare sector' (Baeten & Vanhercke, 2017, p. 484). Through the MoU, the premise of budgetary reductions was used to make claims on other aspects of social and economic policy in terms of their fiscal consequences. Just as pension reforms were mobilised in the budgetary battles of the 2000s as a means to open state books, healthcare has become an increasingly prominent site for the Commission to broaden its interventions.

Building on this, it has become a widely commented feature of the Semester that there has been a blurring of social/economic and fiscal policy goals in the EU. Kenneth Armstrong highlights that whereas social affairs previously had relative autonomy from the austerity logic of the core of the SGP, centred around the proceedings of OMsC on pensions, social exclusion, or poverty, the effect of the Semester has been to 'cannibalize' social affairs into fiscal regulation

(K. A. Armstrong, 2012, p. 287). Daly and Copeland likewise observe how this shift has been a process of transforming social policy in the EU from an ‘add on’ of the 1990s/2000s governance agenda, to a ‘dependence on’ austerity-led budgetary policies (Paul Copeland & Daly, 2015). The legal and technical ambiguity of the Semester has been important to this. It has allowed the EU to pursue a policy objective of austerity not just through the budgetary coordination of the SGP. Increasingly, the Commission through the Semester is able to make financial claims on a range of social and economic issues. In this way, the Commission has flexed its planning capacities. While it is not able to force adjustments, it has a position in a Europeanised policy-making process to subtly intervene and steer the terms of policy in line with its own objectives.

This supranational pursuit of a fiscal policy through the economic and social policies of member states goes both ways. While the overwhelming trend of recent years has been towards the pursuit of austerity, the Commission has also attempted to mobilise its planning architecture to expand spending in a context of recession. The recently lax approach taken to enforcing the SGP has come from the objective of the Juncker Commission in particular to mobilise the budgets of member states in a common European direction. A 2016 communication from the Commission argued that while ‘[m]onetary policy has been supportive of growth in recent years... this is less the case for fiscal policy’ and made the case for more expansionary fiscal policies in member states not in breach of the SGP to boost demand within Europe via a ‘positive fiscal stance’ (European Commission, 2016a). This sentiment echoed through the EU’s planning system, reflecting how the Commission has an infrastructure to pursue political objectives – even if it cannot force anyone to follow them.

A notable area where the idea of spending growth echoed was within the MIP. Recently, the Commission has more vigorously targeted current account surpluses as an imbalance needing rectifying through boosting domestic demand in countries like Germany or the Netherlands. The 2017 Alert Mechanism Report (the yearly report of the MIP) observed that a ‘symmetric post-crisis correction did not take place in countries with positive current account balances’ reflecting ‘aggregate demand dynamics that continue to lag behind that of economic activity’ (European Commission, 2017e). Building on this diagnosis, Germany’s 2017 Country Specific Recommendations called for the country to ‘[u]se fiscal policy to support domestic demand and achieve a sustained upward trend in investment’ (European Commission, 2017d).

Limits of the EU’s means of financing means the Commission cannot pursue its fiscal objectives themselves. Likewise, weak legal authority means the Commission cannot compel

governments to follow its recommendations. But this is arguably beside the point. Instead, the point is that the EU has built this supranational planning architecture of analysis and recommendations using the format of public management precisely because of its limitations as a traditional nation-state. The significance of this is how the force and format of public management has come to shape supranational governance. The governance agenda of the 1990s opened this new managerial approach to policy-making, giving the Commission a new function unlike traditional state functions. Rather than distributing resources or enforcing law, the EU's executive would set strategy and scrupulously monitor policy performance. The Eurozone crisis consolidated this role, centring the Commission as an agent of performance monitoring and analysis. This has not been a neutral function. Indeed the Commission has always seen itself as a political actor. But rather than launching grand initiatives or exercising political leadership as the past 'entrepreneurial' Commissions may have done, supranational executive authority today takes a managerial form.

As the opening of the chapter described, this 'silent revolution' has been a troubling development for scholars remarking at the rise of an 'executive managerialism'. The democratic implications of the rise of supranational managerial planning has been a major feature of post-crisis discussions of the EU. As the next section discusses, this has been a conversation that public managers have likewise participated in. Having helped build supranational governance in the EU, public managers began to raise concerns over its direction.

6.2 Democratic Problems of European Governance

The adoption of the NEG amidst the Eurozone crisis has been widely condemned as a perilous turn to depoliticised and undemocratic governance in Europe. This was an ironic twist, given the original ambitions of the governance agenda in the 1990s. When a new managerial approach to supranational policy-making was introduced as 'governance' in the 1990s/2000s, its public management and Third Way social democrat advocates had normative ambitions. Governance was originally pitched not only as a way to develop European policy-making capacities. In addition, and amidst the backlash to the Maastricht Treaty, governance was pitched as a democratising project.

As chapter four discussed, public managers like Majone and Scharpf argued that despite lacking the traditional democratic institutions of elections, parliaments, or political contestation, the EU's could nevertheless be legitimated. Rather than its connection to an electorate or demos, public managers saw accountability to a managerial criterion of output effectiveness as the source of the EU's legitimacy. Majone argued, for example, that in the EU 'effectiveness and legitimacy, although conceptually distinct, are intimately related' (Majone, 2012, p. 190). While Majone and Scharpf had disagreements over the scope of this output effectiveness criterion for EU legitimacy, it was shared between them that management could offer a democratic basis for EU governance. Output effectiveness went beyond normative claims to 'peace and prosperity'. It was a conjoining of management and democracy. It was legitimacy by results.

The effect of the crisis was to undermine the basis of effectiveness legitimacy in the eyes of public managers like Scharpf and Majone. Amidst turmoil in sovereign bond markets and government balance sheets in the Eurozone, the EU began to look more of a problem than a managerial problem-solver. Scharpf was blunt on the matter. He wrote that 'the present combination of policy-making regimes in Europe must appear as an unmitigated failure in terms of both problem-solving effectiveness and political legitimacy' (Scharpf, 2015a, p. 396). Having hitched legitimacy to a criterion of output effectiveness, the Eurozone crisis thus threw the EU's democratic basis into doubt for public managers. As the effectiveness of European (non)action in the crisis hit the rocks, the EU's legitimacy went with it. Majone saw that the conjoining of effectiveness and legitimacy had become 'precisely the problem' (Majone, 2012, p. 190). Elsewhere, Majone argued that it was the 'connection between effectiveness, legitimacy and systemic stability that makes so worrisome the unsatisfactory economic performance of the EU' (Majone, 2009, p. 45). Scharpf made a similar point, arguing that 'output-oriented justifications... have lost most of their plausibility' (Scharpf, 2009, p. 26).

Legitimacy through effectiveness was based on a premise that managerial forms of governance had to operate out of the spotlight. Supranational institutions in part built their authority in the EU since the 1990s not by ruling directly over citizens, but instead drawing on public management to construct an intra-executive policy-making system of performance management. Public management argued that this was legitimate as long as it was delivering results, such as improved living standards in the name of competitiveness. Crucially, this managerial architecture could not be legitimated if it had to rely on its connection to populations

or along majoritarian principles. Scharpf described how the EU's output legitimacy depended upon operating 'below the threshold of political visibility' (Scharpf, 1999, p. 23). Likewise, this was the logic of Majone's 'non-majoritarian institutions', such as regulatory agencies or central banks. These institutions did not depend on their democratic input. Instead they were legitimated by the lines of managerial accountability to other institutions in assessing their results.

The problem, however, was that the creeping development of EU governance and the experience of the Eurozone crisis meant citizens were increasingly directly exposed to the decisions of supranational institutions. The intensity of market integration in Europe had meant, since at least the 1990s, supranational institutions were a growing presence in the minds of populations. Majone described how 'the actual consequences of decisions taken at the European level are now so much more visible than they were in earlier stages of the integration process' (Majone, 2012, p. 12). This built on the fact that the spread of non-majoritarian institutions into new policy domains had gone a lot further than was imagined or recommended by Majone in the 1990s (Majone, 2001). The Eurozone crisis amplified this exposure of citizens to supranational institutions. The crisis of the Euro, and burden on inter/supranational institutions to resolve it, meant previously unheard of European officials filled newspaper frontpages questioned over the state of the union. For countries experiencing bailouts, this exposure was even more severe. Through bailouts, supranational institutions of the Commission, IMF, and ECB that were external to national democratic processes were positioned to make fundamental decisions over the sensitive area of public finance.

This problem of exposure was not seen by public managers as a crisis of legitimacy for non-majoritarian institutions as such. It was a uniquely European problem. Unlike non-majoritarian institutions at a national level, the crisis had revealed how EU institutions were cut adrift from accountability to other democratic institutions which could operate oversight (Majone, 2012, p. 170). Scharpf developed this point, highlighting how the crisis broke the 'legitimacy intermediation' that had operated in the EU, whereby national institutions acted as democratic cover for the EU by cutting its interventions short when they stretched domestic political settlements too far (Scharpf, 2009). Instead, the situation of the Eurozone crisis was that 'for the first time... the exercise of European governing functions must depend on its own legitimacy' (Scharpf, 2009, p. 26). The trouble with supranational institutions finding their own legitimacy (rather than their legitimacy by results) was that the democratic credentials of the managerial system proved unsurprisingly flimsy. For Scharpf, the problem was intrinsic to

supranational rule. Repeating a point he had made in the 1990s, Scharpf argued that because there was no European demos, ‘supranational EU government cannot be legitimated, even indirectly, by input-oriented arguments (Scharpf, 2009, p. 20).

Lacking input legitimacy was not for lack of trying though. For the EU, the normative ambition of the governance agenda in the 1990s and 2000s was that the tools of public management could transcend stale and out-dated representative democracy and create a new form of deliberative, participatory, and transparent policy-making. The governance agenda was intended to bring citizens closer to European policy-making. Through routine consultation exercises, publicly visible scoreboards, benchmarking practices tracking policy progress, and well circulated strategy agendas, public management would deliver a new era of participatory democracy. Within the internal Commission think tank, the FSU, it was argued that the EU ‘needs to be opened up and liberated from the shadowy world it currently inhabits – civil society needs to be engaged in and by European action’ (Lebessis & Paterson, 1999, p. 11). Likewise, the premise of the *White Paper on Governance* in 2001 was to advocate a new democratic ethos around techniques of inclusion and participation through consultation, dialogue, and transparency. This democratic hope was especially visible as a motivation in the preparatory work of the White Paper (Sloat, 2003).

Things never quite worked out that way. While the governance agenda preached participation and transparency, even before the suspension of democratic norms at the height of the Eurozone crisis through bailouts, EU policy-making was read as harbouring the ‘spectre of executive governance’ (Dawson, 2011, p. 208). According to Stijn Smismans or Beate Kohler-Koch, the implementation of the OMC failed in its participatory intent (Kohler-Koch, 2010; Smismans, 2008a). As Mark Dawson describes, the OMC has not expanded participation but has instead been ‘overrun with unaccountable forms of executive power’ at the expense of traditional sites of democratic accountability in parliaments and the judiciary (Dawson, 2011, p235). Likewise, the reliance on managerial techniques of centralised strategy-setting and performance monitoring in the OMC led Stijn Smismans to argue that it ‘could rather be dubbed an “Open Method of Centralisation”’ (Smismans, 2004). Owen Parker similarly argues that the visions of a participatory and deliberative governance contained ‘exclusionary implications’ from the beginning in building a democratic philosophy that cut out existing representative democratic institutions (Parker, 2019).

Placing the managerial techniques of the governance agenda in the history of planning reveals how this outcome is unsurprising. Fundamental to the legacy of budgetary planning, that the EU's managerial instruments built on, was that governance required a central political authority that could set strategic parameters and process information measuring performance. The idea of expanding democratic participation of citizens within the EU, while expanding the Commission's role as a managerial planner, was thus an oxymoron. Participation in the EU has instead come to mean something closer to the broader trend of the governance turn (discussed in chapter two) of pursuing policy outside existing institutional frameworks. Rather than the legislative Community method, EU governance is an elaborate intra-executive apparatus populated by policy consultancies, lobbyists, corporations, corporatized civil society, regulatory agencies, and member state bureaucracies gravitating around European public communication strategies, benchmarking exercises, or policy evaluation contracts.

For both Scharpf and Majone, the consequences of the crisis of EU legitimacy was to flirt with the idea that EU governance as a managerial process had overextended. Majone suggested that 'the depth of the current crisis justifies the widespread opinion that integration has gone too far' (Majone, 2012, p. 19). Similarly, Scharpf felt that 'from the perspective of pro-European social democrats, therefore, the common currency ought to be dismantled or, if its beneficiaries prevent this, it should be allowed to collapse' (Scharpf, 2015b, p. 270).

Both were, however, careful to not overly commit to this proposition. Scharpf hedged his dismantling agenda with the comment that it is 'by no means a shared conclusion' that integration should be scaled back (Scharpf, 2015b, p. 270). Majone clarified that the solution was not a reversal of integration, but a strengthened managerial accountability framework for the EU. Repeating his previous arguments, Majone argued the EU must not aim for 'a poor imitation of national parliamentary institutions' but a more advanced system of accountability by results (Majone, 2012, p. 192). Scharpf similarly foresaw redemption in returning to a problem-solving philosophy of public management. To achieve this, Scharpf proposed remaking the EU at a smaller scale via differentiated integration (Scharpf, 2003). Alternatively, Scharpf found solace in the EU potentially returning to operating below the radar. For Scharpf, the ECB's monetary solution to the Eurozone crisis would usefully 'drastically reduce the political salience of rescue credits in the public opinion of creditor states' (Scharpf, 2009, p. 30).

Public managers like Scharpf and Majone were anxious that the EU had overextended its authority such that a managerial criterion of legitimacy was being stretched to the limit. While

they attempted to find ways to deal with this development – either reversing integration or diminishing its political visibility – a very different conception of managerial legitimacy was being mobilised within the institutions of the EU. For the Commission, the answer to the EU's legitimacy crisis post-crisis was not to scale back. It was to use the practices of managerial governance to scale up a political project upon which it sought to be held directly accountable in the minds of citizens.

6.3 Legitimacy by Numbers?

For the public managers who had set the tone of the governance turn, the Eurozone crisis revealed the overextension of output effectiveness. The direct exposure of citizens to unaccountable European intervention, in a crisis of the EMU that shed any pretensions of effective governance, meant integration had to be seriously rethought. Public managers proposed that either it had to be scaled back, made more accountable by results to majoritarian institutions, or its interventions hidden from public view. For the European Commission, however, so often the point of criticism for the unaccountability of European governance, its pursuit of legitimacy has not come from scaling back managerial techniques nor deferring to majoritarian institutions. Rather, since the crisis the Commission has doubled down on the public management formatting of EU governance.

Facing political pressure from an emerging economic crisis and an upcoming re-election campaign in late 2009, the Barroso Commission turned to the tools of public management to boost its political profile. Unlike the lengthily negotiated intergovernmental Lisbon Strategy, its follow-up Europe 2020 was rushed out as a Commission initiative in the final months of Barroso's presidency. Facing a backlash at a perception that the Commission was doing nothing besides supporting austerity in response to the emerging financial crisis in late 2009, Barroso sought to make the quantitative targets of Europe 2020 personally attached to his second presidency and the barometer on which he was to be judged (Kenneth A. Armstrong, 2012, p. 214; Paul Copeland & Daly, 2015, p. 147).

This political work of the Barroso Commission was more than just the use of quantitative targets as symbolic legitimacy claims in hedging neoliberal hegemony. Rather, it reflected how the EU's supranational institutions have increasingly used quantitative indicator-

based governance as both the format of their organisational empowerment to pursue political objectives that it can stake its legitimacy credentials on. As such, not only did Europe 2020 signal the Commission's political interests through the targets that were set in the strategy, it served a function of creating legitimate purpose to recalibrate EU planning. While the Commission has little financial or administrative capacity to achieve the targets, creating them was an attempt to recalibrate the political orientation of the EU's planning machinery upon. Amidst a growing economic crisis, a managerial Commission evaluating poverty reduction or employment is a lot more palatable to critical citizens than one monitoring austerity. Europe 2020 was thus more than a symbolic use of numbers, it was an infrastructural shift in EU planning that was hoped to build its legitimacy.

In the end, the events of the sovereign debt crisis and the massive reform agenda of the NEG in 2010/2011 overtook Europe 2020. The political logic of Europe 2020 was, however, invigorated as Jean-Claude Juncker replaced Barroso as Commission President in 2014. Despite Scharpf arguing supranational government cannot be legitimate by its input, Juncker pitched his Commission as claiming a political mandate like no other before. Juncker had come to office through the so-called *Spitzenkandidat* process whereby the Commission President would be drawn from the largest political grouping in the European Parliament. Juncker actively mobilised this mandate, declaring in his 2015 State of the Union Address that he 'wanted to lead a political Commission. A very political Commission' (Juncker, 2015). Indeed, the Juncker Commission has been described as 'the most political Commission ever' (Peterson, 2017).

Adopting the language of accounting and risk swirling amidst the bond market strife of the Eurozone crisis, Juncker in 2014 focused the political ambitions of his presidency on achieving a 'social triple-A' for the EU (BBC, 2014). In June 2013, European Council Conclusions had declared that 'the social dimension of the EMU should be strengthened' (European Council, 2013). Juncker tapped into this national governmental current to build a campaign for president that promised to reboot 'Social Europe'. In a speech to the European Parliament, Juncker argued the 'internal market is not more important than social affairs' (Mahony, 2014). After Juncker's appointment as Commission President, he delivered on this by declaring that 'employment and social aspects are being further emphasised' (European Commission, 2015d, p. 4).

DG Employment, Social Affairs and Inclusion (EMPL) had earlier attempted a 'defensive move' to invigorate a social response to European recession through its 2013 'Social

Investment Package’ encouraging states to maintain social protection investments (Sabato & Corti, 2018, p. 64). Amidst a national trend for austerity, and the Commission’s lack of fiscal or administrative levers of its own to redirect national policy, the plan came to little. Instead, the Juncker Commission turned to public management to deliver its political ambitions. The Juncker Commission has attempted to achieve its ‘social triple-A’ through a series of tweaks and manipulations to the planning infrastructure of the NEG. To do so, the Juncker Presidency has stridently mobilised the managerial infrastructure created by the Kinnock reforms discussed in chapter four (Becker et al., 2016; Bürgin, 2018; Dinan, 2016; Kassim et al., 2017). In particular, the Secretariat-General (SG), empowered as part of the Kinnock reforms, has been a key part of the Juncker Commission’s political work. The SG has emerged as a central node in the Semester, steering the various coordination processes in line with the priorities of the Commission Presidency (Savage & Verdun, 2016, p. 109).

The MIP has been one major site where this has been visible. What was originally imagined as a technical scoreboard of macroeconomic indicators, one interviewee said has become ‘a Christmas tree, everybody wants to put something on it’ (Interview 13, national permanent representative official). Most enthusiastically decorating the MIP’s tree has been the Commission Presidency. The MIP scoreboard has become one site where the Commission Presidency has attempted to assert its political interest in social policy through performance management. Already, in October 2013, the Commission had introduced a range of additional auxiliary indicators to the MIP on poverty and social exclusion, youth unemployment, long-term unemployment, and labour market participation. After Juncker’s appointment as Commission President, the Commission expanded this list to include three employment indicators (on the activity rate, long-term unemployment, and youth unemployment) into the MIP’s headline scoreboard (European Commission, 2015c). Interviewees from the Commission reported that this addition was driven by the Commission Presidency delivering on its political commitments to expand the remit of social policy (Interview 16, DG ECFIN official).

The additional social indicators in the MIP was not met favourably by national officials. In 2014, the ECOFIN Council criticised the addition. They argued that any additions needed to ‘carefully preserve the nature of the procedure’ in terms of its focus on macroeconomic imbalances as traditionally conceived in competitiveness terms (ECOFIN Council, 2014). Going further, ECOFIN Council Conclusions in January 2016 directly criticised the inclusion of social indicators in the main scoreboard, arguing ‘social and labour market

indicators are not relevant for identifying macro-financial risks' (ECOFIN Council, 2016). It was not just the EU's finance ministers that opposed the presidency's tampering with the MIP. The Employment, Social Policy, Health, and Consumer Affairs (EPSCO) Council was also critical, despite the streamlining of social policy into economic governance seemingly being a project they would support. EPSCO Conclusions from June 2015 observed that 'CSRs concerning employment and social issues must be maintained within the EPSCO remit and should not systematically become part of the MIP process' (EPSCO Council, 2015). Interviewees reported that the stance of EPSCO built on a feeling that the broadening of the MIP was a power grab from finance ministries to encroach on social affairs (Interview 17, DG ECFIN / ECOFIN Council official).

Despite these protestations, the Commission Presidency's drive to use managerial techniques to politically demonstrate a commitment to social policy was unrelenting. In 2017, it was not just the MIP's scoreboard where social issues were to be made more prominent, a scoreboard for social policy itself was to be created. The communication launching the so-called European Pillar on Social Rights (EPSR) said a scoreboard of social indicators would 'serve to assess progress towards its social triple-A' (European Commission, 2017c). The adoption and development of the social scoreboard was squarely a project of the Commission Presidency, 'without involving the Member States through the SPC [Social Protection Committee] and the Employment Committee (EMCO)' (Sabato & Corti, 2018, p. 57).

For the Commission, the scoreboard was meant to expand the prominence of EU social policy governance. In a follow-up report outlining the scoreboard's operation, the Commission argued that 'the scoreboard will facilitate a stronger consideration of employment and societal challenges within the European Semester' (European Commission, 2017b). Sabato and Corti note, however, that as a tool developed within the offices of the Commission Presidency, the effect of the scoreboard's unclear role and methodology will be to 'likely to weaken, not strengthen, the monitoring of Member State employment and social protection performance' (Sabato & Corti, 2018, p. 58).

This fact that Sabato and Corti do not consider the social scoreboard as actually useful to improve social protection reflects what Copeland and Daly describe as a 'longstanding proclivity in the EU to getting measurement right' (Paul Copeland & Daly, 2015, p. 155). Regardless of what the Commission Presidency's intentions were with the scoreboard, its significance is how managerial policy instruments have become a key vehicle for EU

supranational institutions to pursue political objectives upon which they seek to base their legitimacy. Its job was not to improve social policy – indeed the EU’s institutions have little administrative, financial, or legal scope to impact policy outcomes. But neither was it merely symbolic – the Presidency’s expansion of social indicators has had significant material effects in reorienting the EU’s planning machinery, much to the frustration of national ministers. Instead, the purpose of the use of numbers by the Commission Presidency has been political and its effects infrastructural. Whereas public managers more broadly see the EU’s governance by management as reaching its limits, for EU institutions themselves numbers continue to hold a promise of democratic governance and a policy-making format of their own organisational empowerment.

Conclusion

While the Eurozone’s rules have failed to bite, the European Commission has expanded its stake within policy-making. By reading the reforms made to the EU since the crisis through the legacy of the governance turn of the 1990s, the ‘silent revolution’ of surveillance noted by former Commission President Barroso takes on greater significance. Since the Eurocrisis, the Commission has vastly expanded its ability to gaze into the policies of member states. What was meant to be a means to enforce the rules of the Eurozone has, instead, been used to empower the Commission as a centre of strategy and information processing. While the Commission has little ability to force member states to obey particular rules or adopt specific policies, this is beside the point to make sense of the Commission’s empowerment as an institution. I have argued the Commission has developed a cognitive authority within a European policy-making system that builds on the social forces and format of public management. This cognitive authority is not the sanctity of the Commission’s expertise in the eyes of EU governments or citizens. It is the European Commission’s positionality within a Europeanised policy-making system that allows it to process the information and pass judgement on the policy performance of others.

The political implications of the EU’s empowerment through public management is how it moves us beyond thinking about the democratic issues of the cognitive authority of IOs in terms of depoliticisation. I have shown how the politics of numbers in supranational governance has not depoliticised policy-making. It has opened a legitimisation paradox. I have shown how a

public management community has not judged European institutions by their technocratic expertise, but by the performance of their KPIs. Complicatedly, while these KPIs have proven disastrous through the crisis, European institutions have attempted to continue mobilising numbers as a means to legitimate themselves by reorienting their planning machinery in line with administratively set political objectives. The significance of this is the complicated relationship planning has established in EU governance as questions of democracy are increasingly equated with managerial forms of rule. In the conclusion to the thesis, I consider the implications of the consolidation of a managerial approach to policy-making for the future of the European Union and supranational authority more broadly.

Conclusion

The European Union has an affliction familiar to many IOs. It lacks an autonomous means to raise finance and allocate resources and has no independent infrastructure to implement its decisions. Despite the relative weakness of IOs, this thesis has addressed the fact that since at least the 1990s they have become a formidable presence in everyday life. The OECD can make headlines with its PISA rankings of global education systems. Through the Eurocrisis years, one dull Eurogroup meetings could decide the fate of countries in fiscal distress. The WTO can hardly meet without protesters massing outside. Taking note of this, international relations literature has since the 1990s taken IOs seriously as actors in world politics. What were once considered as merely tools of powerful states are considered by scholars like Barnett and Finnemore as independent bureaucracies with their own instrumental purpose and power (Barnett & Finnemore, 2004). The power of IOs did not unfold as it had for national states. Rather than financial resources or legal authority akin to national state power, scholars have noted that a key aspect in the rise of IOs was a suite of managerial techniques of quantitative benchmarking, ranking, and other indicator-based techniques that build ‘cognitive authority’ through ‘analytical institutions’ (Broome & Seabrooke, 2012).

The rise of supranational institutions in global politics, and the importance of managerial instruments in this rise, led to Rhodes, Rosenau, Czempiel and others point to a shift taking place from the central authority of national government to a more diffuse and multi-level ‘governance’ (Rhodes, 1996; Rosenau & Czempiel, 1992). European integration at the end of the millennium was a prominent indicator of the governance turn. Supranational institutions of the EU have become powerful and visible actors of Europeanised policy-making. Despite being constrained in a way similar to other IOs, the EU is unique insofar as its governing responsibilities are closer to that of a state. Organisations like the United Nations, World Bank, or WHO may similarly suffer from an exteriority to national policy-making. But the scale of their exteriority means the follies of these organisations is comparatively minor. In contrast, the deep market integration and monetary union in the EU means the governance failure of its supranational institutions risks monetary collapse and economic catastrophe. Facing the constraints of an IO, and the responsibilities of a state, supranational institutions in the EU have built a stake in policy-making through benchmarking, scoreboarding, strategy writing, and policy evaluation practices that make up the day-to-day of ‘EU governance’.

Critical scholars of European integration have predominantly understood the rise of this peculiar form of supranational power through the history of neoliberalism. Scholars highlight how neoliberal rule in the EU uses international law and political authority to ‘encase’ (Slobodian, 2018), ‘constitutionalise’ (Gill, 1998) or ‘embed’ (van Apeldoorn et al., 2009) markets through the agency of a US-centred transnational capitalist class (Cafruny & Ryner, 2007; van Apeldoorn, 2003). The political weight of neoliberalism as a global project is seen to constrain the progressive use of political institutions - in particular budgetary ones - at every level of governance and use supranational authority to enthrone market order. The managerial instruments of EU governance are read by critical literature through this international neoliberal project of constraint. Most predominantly, rather than thinking in terms of the instrumental power created through managerial tools of supranational governance, a governmentality perspective is relied upon. This perspective reduces instruments like benchmarking to how they are presumed to structure the behaviour of national governments to perform as good neoliberal subjects.

This thesis has argued that the EU’s peculiar ‘governance’ arrangements are not best understood through the history of the neoliberal project. By mobilising the lineage of neoliberalism, critical literature of integration ends up conflating the managerial techniques of international policy making with the marginalisation of a progressive use of public finance that has defined the EMU. By drawing significance from the ways political institutions are constrained, we neglect the technical forms of power that have been constructed at a supranational level. In doing so, we miss the ways in which power has been wielded in the EU not through neoliberal rules but through managerial planning.

Rather than the suppression of the progressive use of public finance, I have instead argued that the rise of EU governance should be understood as the construction of budgetary planning at a supranational level. Chapter two showed how the noted ‘governance turn’ of the 1990s should be understood in the context of the history of public finance. I showed that a new kind of ‘budgetary planning’ arose in the 1960s and spawned a new class of public managers practicing techniques of systems/policy analysis. The chapter argued that the governance turn should be understood in terms of the efforts of this class of public managers to reapply their techniques of strategic performance management outside of the sphere of budgetary appropriations, where their efforts ran aground in the fiscal crisis of the 1970s.

Chapter three to six showed how this rereading of governance as planning makes possible a critical reconceptualization of European policy-making since the 1990s. This involved retelling the history of European integration not as the rise of neoliberalism, but instead in terms of the responses to a dilemma of supranational authority that has affected Europe since at least Maastricht in 1992. Chapter three unravelled this dilemma of supranational authority as a ‘management deficit’ facing European institutions expressed by public managers in the 1990s. This management deficit spoke to how, while the agreement at Maastricht placed increasing policy obligations at the door of supranational institutions, the agreement neglected the organisational and financial means to deliver on these obligations. Most notably, the chapter showed how, while moving to a common currency and common market, the EU was politically denied the financial resources that could perform a stabilisation or redistribution role. Alongside this, however, the instruments of expenditure control the EU possessed through the legal instrument of the SGP were limited in their usability against national governments refusing to be subject to supranational intervention into public finance.

Chapter four showed how this dilemma of supranational authority was responded to in ways which were taken to mark the rise of ‘governance’. Chapter four argued that while the EU lacked the financial resources to perform budgetary functions of stabilisation or redistribution and lacked the legal clout to perform a budgetary function of expenditure control, supranational authorities have built their authority as planners. This has meant turning the European Commission into a centre of strategy and information processing mobilising the forces and format of public management. While these innovations are often reduced to a neoliberal social policy, I showed in chapter four how social policy was merely the most prominent area of a broader shift. Benchmarking competitiveness involved repurposing a peripheral managerial instrument of comparing industrial performance into a major regulatory innovation of EU governance. While the EU was limited in its traditional governing capacities of legal enforcement or resource allocation, benchmarking competitiveness provided a means for supranational institutions to gain a stake in policy-making as a planner. This planning function was formatted considerably differently to neo/ordoliberalism. Whereas neo/ordoliberalism preached order, rules, and stability; public management advanced a flexible, discretionary, and responsive approach to governance that emphasised the importance of information-driven strategic decision-making.

Developing this point, chapter four went on to explore how public management influenced the core of the neoliberal EU - the fiscal rules of the SGP. As the legal authority of the SGP's rules faltered in the early 2000s, the SGP was reformed in 2005 to build in greater flexibility. While often seen as a weakening of the SGP, instead I argued it was its managerialisation. Less emphasis was placed on adhering to nominal rules, but the Commission considerably expanded its capacity to monitor the performance of national budgeting policy along lines of fiscal 'sustainability' and budget 'quality'. The result was that, while the EU had limited financial resources of its own, and little legal clout to enforce expenditure control, the SGP reform set in motion a capacity of the European Commission to use the SGP as a planning tool suggesting strategic directions for fiscal policy.

Finally, the chapter considered how the rise of EU governance brought a growing influence of public management as a distinct class over the form of EU institutions. To do so, I explored the 'Kinnock reforms' made to the EU Commission at the turn of the millennium. Here, I showed how the reforms were not just to improve the competence of an institution in crisis after the resignation of the Santer Commission in 1999 amidst a fraud scandal. Rather, the reforms involved a pivot to building the political weight of managers within EU institutions. The significance of this was that as the EU turned to the format of public management to develop a supranational governance capacity, the social forces of public management have increasingly taken a powerful place within the EU's institutions.

In chapters five and six I have shown that since the Eurocrisis there has been a consolidation of a managerial format to EU policy-making. Critical observers saw in the EU's crisis responses an invigoration of the rules said to encase markets through the New Economic Governance (NEG) and the punitive austerity of bailout programmes. In contrast, I showed how the crisis is better read as a restatement of the longstanding dilemma of supranational authority in the EU. As happened in the 1990s, the creation of common budgetary instruments like 'Eurobonds' or an adequate European bailout fund were consistently blocked during the Eurocrisis by creditor governments refusing to spend across borders. The distinction was that in the 1990s/2000s the need for a common budget was hypothetical, whereas in the heat of the Eurozone crisis the failure to develop sufficient common financial resources risked tearing the Euro currency apart.

Despite not managing to develop common budgetary instruments, however, the invigorated rules highlighted by critical scholars once again failed to bite. Opposition to the use

of supranational legal authority to impose limits on public finance meant the new rules for fiscal and macroeconomic policy coordination have become more complicated, vague, and selectively applied than ever.²³ What has been invigorated through the crisis, however, is the role of supranational institutions as planners. While the incapacity of EU institutions to exert legal authority is relatively unchanged, the reforms of the NEG considerably expanded the depth and breadth of supranational institutions' ability to gaze into the policies of national governments.

The historic rise of managerial forms of power in the EU is well recognised by critical literature. Scholars like Bonefeld and van Apeldoorn well recognise that since the 1990s supranational institutions have grown in authority through executive politics, managerial policy instruments, and a suspension of traditional representative democratic norms. I have argued in this thesis though that our typical theorisations of these changes through the lineage of neoliberalism has focused our attention on the ways in which public policy has been constrained at a national level, rather than addressing the kinds of political institutional power that has been constructed supranationally. By instead addressing an alternative lineage of managerial governance, I have highlighted the distinctive social forces and format of public management in building supranational rule today.

There are two major political implications of this argument. First, the implications of EU planning for the fumbling, but persistent, attempt to develop the 'missing' budgetary functions of the EU of macroeconomic stabilisation, resource redistribution, or expenditure control. Second, implications for the political contestation within and against the EU's planning apparatus geared towards relentless austerity.

First, the terms of EU fiscal politics have since the creation of the EMU centred on whether the union can, or should, perform the budgetary functions of stabilisation, distribution, and/or expenditure control. This is the push and pull between austerity and stimulus; rules and discretion; control and liability. Progressive politics in this context have focused on lightening the expenditure control burden on national governments and creating European instruments for stabilisation and redistribution. Recent proposals from a group of 14 French and German economists, led by French economist Agnès Bénassy-Quéré, have focused discussions on such options for Eurozone reform (Bénassy-Quéré et al., 2018). They highlight a macroeconomic perspective on the desirability to develop the range of 'missing' budgetary functions through

²³ Countries receiving bailouts of course were subject to the whim of supranational institutions and foreign governments, but the grounding for this was rarely EU rules but rather international executive politics

common deposit insurance, a simpler expenditure rule focused on long-term debt reduction, a mechanism for sovereign-debt restructuring, a Euro area fund to absorb economic shocks, and a ‘euro area safe asset’ to ease financing pressures on the EU’s most exposed nations. Likewise, a reform proposal coming from the European Trade Union Institute (ETUI) has argued that the SGP should be replaced entirely by fiscal and macroeconomic policy coordination instruments that can use common resources to ‘drive upward convergence between regions’ and mobilise public investment towards a Green New Deal (Álvarez et al., 2019). Many of these proposals are included in the political guidelines of the new Commission of Ursula von der Leyen, including broadened convergence funds, a banking union with a Single Resolution Fund, and a European Deposit Insurance Scheme.

What these proposals often assume is that the EU has a limited budgetary capacity that needs strengthening. Building a progressive EMU is therefore seen as constructing a budgetary capacity for the EU. As I have shown, though, the EU does have a budgetary capacity. It is just one built on planning rather than resource allocation. In a managerial EU where executives dominate, numbers rule, and majoritarian institutions are shut out, we should be addressing the implications of adding financial resources into this extant planning system. Indeed, the condition of an ‘emergency brake’ applied by national governments to the use of COVID-19 recovery grants, recurrent discussions on making cohesion funds conditional on adopting structural reforms determined by analysts in Brussels or Frankfurt, or the idea that ECB sovereign bond buying would be conditional on meeting certain rules, reveals the stakes of inserting financial resources into existing EU managerial planning. Rather than liberating public finance for progressive causes, the addition of financial resources would more likely provide coercive financial-administrative leverage to the EU’s existing planning system. Public finance would therefore not move according to need, but rather according to analytical assessment of the EU’s executive institutions.

This challenge of the supranational or intergovernmental decision over the allocation of public finance is one of the reasons why the EU has never developed common budgetary instruments. The reality is that a political or fiscal union is extremely unlikely in Europe. As the FT assesses, ‘the idea of a “fiscal union” complete with a “euro area treasury” remains the stuff of political fantasy’ (Brunsden, 2019). More pressing politically is engaging with or against the planning infrastructure that does exist in the EU. Progressive proposals for reform to EU governance have often focused on getting measurement right. The logic is that if the EU has the

right strategic targets, and its information processing gaze is directed in the right direction, then more democratic and progressive outcomes are likely to follow. Francesco Corti, Sebastiano Sabato, and Bart Vanhercke have recently proposed the idea of a ‘Social Imbalances Procedure’, to match the legalised instruments of fiscal and macroeconomic coordination in the realm of social affairs (Corti et al., 2019). Elsewhere, the Independent Annual Growth Survey (iAGS) puts forward the case to shift numeric targets away from the ‘fiscal and macroeconomic rules of the SGP’ to instead focus on the ‘whole range of economic, social, and environmental challenges’ (Timbeau et al., 2019).²⁴ Proposed indicators from the iAGS include public investment, the gender pay gap, unemployment, income inequality (GINI), or greenhouse gas emissions. Similarly, ETUI has proposed an ‘integrated scoreboard of economic, social and environmental indicators’ to coordinate EU policies ‘well beyond numerical fiscal targets’ biased towards austerity (Álvarez et al., 2019).

This move neglects the forms of power created by the managerial shift of European governance. The techniques of benchmarking or scoreboarding were meant to coordinate the policies of EU member states that were of common interest within an integrating region. As the scale and depth of the Eurozone crisis will attest, however, ‘governance’ was of little use coordinating policies to either prevent or resolve the crisis. As I have argued in this thesis, the significance of managerial policy techniques has therefore not necessarily been to deliver policy outcomes in the EU, but to develop supranational institutions’ stake within policy-making through the forces and format of public management. I have shown in the thesis how what is important in quantitative techniques like benchmarking and scoreboarding is less the object that is being governed or the direction of the bureaucratic gaze. Instead, what is important has been the infrastructural power derived from constructing a policy-making machinery that judges the performance of others. The EU, and other IOs, have built their ‘cognitive’ authority and gained a stake in Europeanised/globalised policy-making by positioning themselves as information processors of the policy performance of others. As part of this process, a new class of public managers have become increasingly central actors within policy-making, occupying pivotal positions within public institutions at a range of levels.

Reckoning with this fact suggests that shifting the gaze of European institutions onto more progressive policy objects like social or environmental indicators, while worthy, will not

²⁴ The iAGS is a parallel to the Commission’s Annual Growth Survey. It is released by a group of economists linked to the Social Democrat European Parliament group

address the forms of social power governing policy-making. Moreover, given EU governance was constructed because of the distance of supranational institutions from policy implementation, it is unlikely to substantively affect policy outcomes as intended. Instead, what is required is a reversal of the lines of accountability created through the EU's managerial planning system. Recognising that numbers have a strong grip on policy-making, whereas benchmarking or scoreboarding places supranational institutions as cognitive actors, authorised to judge the performance of others downwards, greater attention needs to be placed on building lines of accountability that travel upwards from citizens to supranational institutions. There is an entire politics of measurement that comes with this shift, potentially focusing on the sustainability returns on EU investment, the social protections built into lending criteria, or lobbying access to institutions. What matters is that if numbers rule modern governance, then we should be counting our institutions rather than allowing our institutions to count us.

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Annex 1. Interviews

Interview 1 Former FSU official November 2017, Brussels, Belgium
Interview 2 Former FSU official November 2017, Brussels, Belgium
Interview 3 EIPA official November 2017, Maastricht, The Netherlands
Interview 4 former EIPA official October 2017, Maastricht, The Netherlands
Interview 5 DG Human Resources and Security, November 2017, Brussels, Belgium
Interview 6 European School of Administration, November 2017, Brussels, Belgium
Interview 7 National Permanent Representation official, November 2017, Brussels, Belgium
Interview 8 National Permanent Representation official, November 2017, Brussels, Belgium
Interview 9 National Permanent Representation official, November 2017, Brussels, Belgium
Interview 10 National Permanent Representation official, November 2017, Brussels, Belgium
Interview 11 National Permanent Representation official, November 2017, Brussels, Belgium
Interview 12 National Permanent Representation official, November 2017, Brussels, Belgium
Interview 13 National Permanent Representation official, London, January 2018
Interview 14 ECB official, December 2017, Frankfurt, Germany
Interview 15 European Parliament MEP staff, November 2017, Brussels, Belgium
Interview 16 DG ECFIN official, November 2017, Brussels, Belgium
Interview 17 DG ECFIN/ECOFIN Council official, November 2017, Brussels, Belgium