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Time to stress-test the grand visions of Europe

Lydie Cabane and Martin Lodge / Mar 2018



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The European Union's 'grand vision' days seem to be back. Following a decade of member state squabbling, limited signs of solidarity and signs of open defiance, debate has turned to ways in which the European Union can be made 'fit for purpose' as an effective problem-solver for member states and citizens alike.

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Debating constitutional grand projects is important to generate attention and support. Questions about the selection of European leaders and how leadership of EU organisations should be organised are relevant to enhance the EU's legitimacy. Questions about the future of the economic and monetary union, the banking union, integrated electricity markets or civil protection are all critical for the future direction of the European Union. However, far more critical for the actual functioning of the European Union is a focus on the administrative pre-requisites of a multi-level governance system.

The most ambitious policy agendas will have little effect if they cannot rely on relevant and robust information. They will also have little bite if there are limited member state capacities to implement the legal obligations arising from directives and regulations. These are not the simple questions that can be addressed through infringement proceedings; rather this is about fully engaging with the actual joint-working of European and national authorities, and to consider the frontline implementation of EU-level policies. This is a world far removed from the world of summits, but it is where the EU actually makes a difference.

One example is the banking union. This is one of the most prominent recent examples of a major transfer of sovereignty from member states to the EU. For some, the banking union remains incomplete (in view of a lack of a European deposit guarantee and a common 'backstop'). Nevertheless, the supervision of significant banks is now under EU oversight (as part of the Single Supervisory Mechanism), as is banking resolution (under the Single Resolution Board). There is an emerging level-playing field (i.e. single rulebook) for banks, intended to remove home bias in supervision, as well as a commitment to prevent banks bail-out through various instruments (such as bail-in).

Wider debates about the banking union usually focus on questions of its credibility. However, what has received less attention is the way in which the different supervisory and resolution authorities work together and coordinate their work. Even if joint working and a single rulebook support consistent supervision, this still leaves considerable scope for inconsistent capacity in particular national cases. Hence, national administration remains of crucial importance. For example, national capacity is critical in the joint supervisory teams under the oversight of the ECB, in the national supervision of national banks of less significant character (under the potential oversight of the ECB), or in those cases when national authorities are nominally in charge of applying a resolution ruling by the SRB (as was in the case of *Banco Popular*). Creating a European Monetary Fund in some form or another would represent an ambitious reform, but it would not resolve the problems of the current system.

Another example can be drawn from electricity transmission networks. European electricity networks are largely integrated due to a high degree of interconnection. Failures can quickly cascade from one country to another. Operators have established network codes and common operation rooms to address potential crises. However, in times of acute

crisis, it is far from clear whether member states will honour their solidarity commitments, or whether they will ensure the continued electricity supply to their citizen instead – as did Bulgaria during the 2017 cold spell. Attempts at establishing EU-wide requirements on operators are unlikely to deal with the national temptation to pull the plug on interconnection. EU rules also have a highly diverse impact as they apply to both well- and less- resourced and capable member states and operators. How to manage this asymmetry in problem-solving capacity at the administrative and operator level requires careful thought. However, such an approach promises more legitimacy and capacity than the imposition of European wide regulatory frameworks based on the wishful thinking that member state will follow legal requirements.

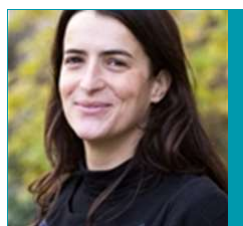
The assumption that member states (can) devote sufficient resources to managing EU policy requirements is one of the efficient secrets of the European Union. However, this creates a significant blindspot in that it leaves scope for home bias in supervision, inconsistent applications of rules and limited reporting and does not account for unequal administrative capacities, let alone motivation. Therefore, the importance of the material underpinnings and administrative infrastructures of the European Union cannot be under-estimated. Failure in these infrastructures threatens to create a transboundary crisis in itself. It is time to move attention towards these infrastructures beyond the widespread interest in the joint working of regulatory and competition authority networks.

It might, of course, be seen as ironic to call for more attention to the administrative side of the European Union when so much ink has been spent on complaining about the regulatory frameworks emerging from Brussels. Our point is not that the debate about the future shape of the EU should ignore grand constitutional principles and focus on the appropriate size of eggs or the minimum meat content of sausages. It is, instead, about how to ensure that local and national administrations are capable to enact wider European regimes in order to ensure consistency, while accommodating the inherent diversity across local circumstances. Such debates about how to 'stress test' the capacity of national and local administrative systems are long overdue.

Grand projects are always associated with much vision and little interest in the administrative detail of making things happen. Former West German Chancellor Helmut Schmidt once suggested that those with visions should consider visiting a doctor. We suggest that those with visions should bring along their reading glasses to consider the administrative small print. What the European Union requires is placing national and local administrative capacity under the microscope.

Given the critical role that national and local administrations play in managing EU policy and in mitigating potential EU-wide risks, it is critical that questions of administrative capacity come to the forefront in European debates.

This contribution builds on the authors' wider research on transboundary crisis management (www.transcrisis.eu).



Lydie Cabane

March 2018

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March 2018

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