

New instead of effective? The evolving framework of economic governance




Waltraud Schelkle,
European Institute (LSE)

In what sense 'New Gov'?

- The Community Method plays hardly any role in the integration of the monetary union with its core institutions, an independent central bank and the Stability Pact.
- Governance is best characterised by **self-regulation**, observed and monitored by **expert audiences**.
- But this raises issues of opportunism and regulatory capture.

How effective?

- Both the **Lisbon Strategy** and the **Stability Pact** were revised in 2005.
- Outcome indicators since then, on employment and fiscal deficits respectively, improved. 
- But the causality is unclear: Pick-up of economic growth? Changes in government?

What makes for 'effectiveness'?

Dimensions of binding international agreements (Abbott et al 2000):

- **Obligation**: Distinguish norms which create specific duties from general exhortations
- **Precision**: Specific about both the intended goals and the means of achieving it
- **Delegation**: Gives mandate to third party
 - Adjudicative, ie in the resolution of disputes
 - Operational, eg ruling on the statistical bases

What impact did the revisions in 2005 have on effectiveness?

	Lisbon Strategy	Stability Pact
Obligation	--	↓
Precision	↑ goals ↓ means	↓ goals ↑ means
Delegation	(↑)	↑ adjudicative ↑ operational

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New instead of effective?

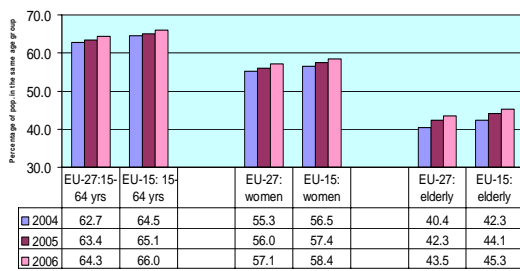
- Self-regulation monitored by expert audiences is inherently weak on delegation but is, for the time being, without alternative in the governance of EMU.
- The Stability Pact may be more effective now, because instrumental precision and delegation to expert audiences were strengthened.
- The Lisbon Strategy is unlikely to gain from its focus on economic goals, largely because this focus has alienated expert audiences.

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Lisbon employment goals

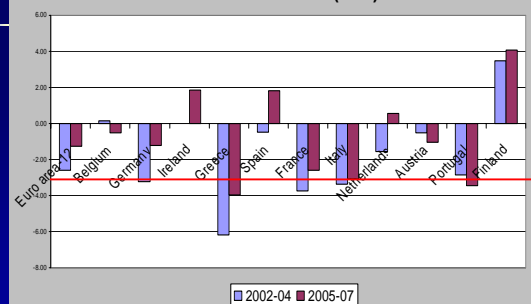


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Structural balances (EDP)

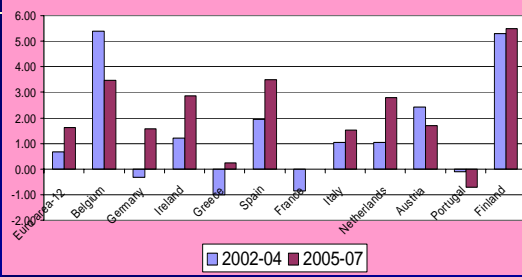


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Primary structural balances



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