Towards a Deeper Economic and Monetary Union:
The Five Presidents’ Report and EU Socio-Economic Governance
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Abstract
This paper assesses the ‘Five Presidents’ Report’ (5PR) to complete Europe’s Economic and Monetary Union (EMU). Contrary to what is commonly assumed, based on an historical institutionalist analysis and reflecting on earlier reports, as well as looking at Juncker’s role through a political leadership lens, this paper concludes that the 5PR serves as an important building block on the path towards deeper integration and offers an analysis why this might be the case. The paper finds that Report builds on the work of the Four Presidents’ Report and the entrepreneurship of its authors, in particular, Commission President Jean-Claude Juncker.

Keywords: Economic and Monetary Union, Five Presidents’ Report, Historical Institutionalism, Political Leadership, Jean-Claude Juncker.

Policy highlights:
1. The Five Presidents’ Report may have more impact than initially anticipated
2. Economic and Monetary Union (EMU) is being completed in incremental steps
3. Leadership of the Presidents of the EU (including the Commission President) has been important in moving towards deeper EMU

1. Introduction

The 5PR calls for more economic, financial, fiscal, and political unification (Juncker 2015b: 4-5) in three stages: stage 1 ‘deepening by doing’ (1 July 2015-30 June 2017); stage 2 ‘completing EMU’ without a deadline, and stage 3 (completed by 2025) described as: ‘At the
end of Stage 2, …. a deep and genuine EMU would provide a stable and prosperous place for all citizens of the EU member states that share the single currency, attractive for other EU member states to join if they are ready to do so’ (Juncker 2015b: 5).

The 5PR is reminiscent of earlier EMU blueprints: both the 1970 Werner and the 1989 Delors Reports’ consisted of bold three-staged approaches. The Werner Report failed due to international circumstances and varied domestic responses. The Delors Report succeeded because it was incorporated into the Maastricht Treaty and because of the subsequent steps taken, especially towards the end, that made it possible to start with a larger number of countries than many had anticipated in 1992. Given the dire situation in which the 5PR was issued, and the two years hence, observers had initially declared that it was extremely unlikely that the 5PR would have much impact. There were reservations about the willingness of the EU to deepen integration in the immediate period following the issuing of the report. Furthermore, scholars such as Hodson (2016), Dyson and Maes (2016) and Matthijs 2017 have pointed out that 5PR has fallen short in explaining how to legitimate a more complete EMU, whereas Munin (2016: 417) states that by providing a ‘written, transparent, vision’…‘it undoubtedly contributes to enhancement of the democratic discourse in the EU.’

Given these reservations, should we expect the 5PR to die an untimely death, as the Werner Report did, or become incorporated into something bigger and bolder, much as happened with the blueprint set out in the Delors Report? The lessons of the period post-Werner Report suggest that when the international environment and different national responses to crises emerge, the chance of deepened European integration based on such a bold plan are limited. By contrast, from the Delors Report experience we learn that if a Commission President is able to rally support from important stakeholders, including various leading member states, chances for its lasting impact are increased.

This paper concentrates on the 5PR for two main reasons. First, given the dearth of literature on the topic, this paper seeks to offer an analysis of this report with a view to its possible impact on European integration. Second, based on historical institutionalist assumptions whilst focusing on the leadership of Juncker, and contrary to what is commonly assumed, it argues that the 5PR serves as an important building block on the path towards deeper integration and offers an analysis why this might be the case.

In terms of the approach and methodology used, deploying the toolkit of historical institutionalism, this paper first examines reports, secondary literature and interviews with key observers, to assess the degree to which the 5PR has been structured in a way similar to earlier EMU reports. Second, the seven elite interviews that the author conducted enable an assessment of the role of Juncker as leader. The goal was to trace the process of the emergence of the 5PR, to identify the particular role of Juncker, as well as the reception of the 5PR in the policy community. Historical institutionalism is an approach that looks at how earlier decisions and institutional structures shape the choices that follow. Pierson (2000) has developed the concept of path dependence further by emphasizing how it leads to increasing returns (making it costly to deviate from the path chosen). This paper builds on that view and analyses how the 5PR is
similar to earlier reports. It then looks at how Juncker displayed leadership to get the 5PR adopted when it did and how his role may have increased the likelihood that the report will offer another important building block towards completing EMU.

The remainder of this paper is structured as follows. Taking an historical institutionalist perspective, the next section offers an overview of the path that the EU has taken through various three-staged reports on EMU and the recent developments that exposed is incomplete nature. Section three examines the leadership role of Juncker, whereas section four looks at the content of the 5PR. Section five assesses its likely success (responses by think tanks, experts, EU institutions, and national parliaments), while section six concludes.

2. Three-Staged Approaches to Economic and Monetary Integration
The 5PR is ultimately the EU’s response to the financial crisis, the sovereign debt crisis and the awareness that EMU was asymmetrical and thus incomplete. The report that was published in a speedy fashion, followed the 4PR, and took on board many of the ideas of earlier blueprints that paved the path for EMU. The Werner Report (1970) had envisaged a three-staged plan that would see full EMU achieved by 1980. It envisaged two Community institutions: a central bank and a ‘Centre for Decision of Economy Policy’ (responsible to the EP, with the goal of coordinating economic policy, Werner Report, 1970: 12-13). In 1989, chaired by then Commission President Jacques Delors, a committee of twelve central bank presidents, a commissioner and a few experts, produced a blueprint for EMU, the Delors Report (1989). Again this foresaw a three-staged process, culminating in the introduction of a single currency, no later than 1999 – again three stages and its completion within ten years. Neither the Werner nor the Delors Reports had designed EMU with extensive integration in the areas of banking, economic and fiscal, or political union (although the former went further than the latter in economic, fiscal and political integration). Instead, coordination of national budgetary deficits and public debt through setting of common goals was seen as sufficient (Dyson and Featherstone 1999).

The institutional blueprint of EMU was introduced in the 1992 Maastricht Treaty. There had been no consensus on what deeper economic integration would look like: it was to be determined at a later date. The European Central Bank (ECB) would assume responsibility over monetary policy for the euro area from the start of third stage of EMU, but no comparable body was foreseen in the budgetary or fiscal domain. During the 1990s, when the EMU blueprint was being discussed, its potential impact on social cohesion and Europe’s social model was also debated (Minkkinen and Patomäki 1997; Martin and Ross 2004). Remarkably, although the role of socio-economic governance played an important role in the preceding debates, it was not explicitly incorporated into the framework of EMU, despite Commission President Delors’ keenness to do so (Ross 1994).

In the euro’s first decade all seemed to go relatively well and few questioned EMU’s feasibility based on its initial design (European Commission, 2008). However, the 2008 financial crisis, followed by the economic crisis of 2009, and the sovereign debt crisis that raged during
of 2010-2015, put the euro area severely to the test. The EMU edifice showed cracks in its architecture during the three facets of the crisis: the financial crisis exposed the incomplete nature of European integration in economic and monetary affairs. Fiscal policy remained firmly in the hands of national authorities and there was no collective fund to come to the aid of member states in need. Indeed, the crisis exposed not only the weaknesses in fiscal policy architecture; banking supervision was also weak. In the face of a severe banking crisis and subsequent major stock market falls, EU countries found themselves not knowing what strategy the Union would take, and national governments initially turned to domestic solutions (see Engineer et al. 2013). By November the EU provided a European response focused on the member states and the EU injecting 200 billion euro into the EU economy (1.5% of Gross Domestic Product, GDP) and focusing on ways to improve competitiveness (Commission 2008). The EU offered to act as ‘clearing house’, a broker for a coordinated response by member state governments. But after this decision the proposal still needed to be approved by national parliaments. The sovereign debt crisis exposed the fact that once governments of the euro area experienced difficulties in refinancing their debt they very quickly faced major insolvency problems. This episode highlighted the problem that the EU lacked a sufficiently large central budget or other fund to be able to tap into at a time of crisis. It also showed the vulnerability of collective action in the EU – given its reliance on national parliamentary approval. As discussed below, the EU eventually dealt with this shortcoming by creating the European Financial Stability Facility (EFSF) (later the European Stability Mechanism) and subsequently created a banking union.

The crisis had changed in nature in fall 2009 following the announcement of new Greek Prime Minister George Papandreou that the Greek budgetary deficit was much larger than reported by the previous government, namely 12.8 per cent instead of 3.6 per cent of GDP (Featherstone 2011). The situation escalated; if no help were provided, Greece would default with unpredictable, but probably disastrous consequences for the country, the euro area and EU member states collectively. Worried by a perceived breach of Article 125 of the Treaty on the Functioning of the European Union (TFEU), member states acted in an intergovernmental capacity. A year later, in March 2011, they decided to make a minor change to Article 136 TFEU, which should ensure beyond doubt the legality of setting up a stability mechanism.

The ECB took on an important role throughout the crisis to keep the banking sector afloat (Torres 2013, Henning 2016). From late 2011 and throughout 2012 the ECB enabled long-term refinancing by making loans available to banks at low interest rates. Numerous southern European member states, with problems refinancing their public debt, requested loans from the EFSF. In June 2012 the first steps were taken to devise a so-called banking union, with the ECB as supervisor (Howarth and Quaglia 2013). In summer 2012, when the yield spreads between countries of the periphery and the euro area core were widening too much, mostly because of speculation of a euro collapse and an increasingly self-fulfilling spiral of unsustainable finances, ECB President Mario Draghi announced that the ECB would do ‘whatever it takes’ to support the euro (Draghi 2012; Hodson 2013). Markets responded quickly. Soon after, the ECB unveiled
its ‘big bazooka’, a new program called OMT (Outright Monetary Transactions). In 2015 it pursued further loose monetary policy through credit easing measures and an asset purchase programme. In this way the ECB took numerous bold steps to act during the euro debt crisis.

The sovereign debt crisis affected various euro area member states. By November 2010 Ireland was given a financial support package of 85 billion euro in loans; in May 2011 Portugal was also provided with a package of 78 billion euro, again a mix of loans or lines of credit from the IMF, the EU and euro area, managed by the IMF, the EFSF and the European Financial Stability Mechanism (EFSM) (Henning 2017). On 8 October 2012 a new permanent crisis mechanism, the European Stability Mechanism (ESM), was inaugurated. It was set up by the euro area member states as an intergovernmental organisation to ensure financial stability in the euro area.

The architects of EMU were aware of the asymmetries in its institutional design. Indeed, it was understood that, when its shortcomings became manifest, the EU would face a crisis. Earlier research hypothesised that leaders were aware that once such a crisis occurred, the EU would need to take bold and daring steps to deepen integration (author 2000). This design was meant to leave the door open to determining what precisely deeper political and economic integration would entail. The reason EMU was not accompanied by a larger mandate for EU institutions to borrow, tax and spend, or to coordinate budgetary policy supranationally, was the lack of political support for a larger role for the Union in this area. Many leaders thought that in the future there might be more support for such steps.

3. The role of Juncker in the 5PR

The previous section indicated that the design of EMU was such that there was awareness that it was incomplete and that the time would come for a supranational leadership to emerge and fill the gap and come up with a proposal. To investigate whether this process took place in the case of the 5PR, the author has conducted various elite interviews. In the period April through July 2016 the author conducted seven interviews with key informants who work or worked for EU institutions in Brussels and Frankfurt and who have been close to the process. These interviews lasted about 90 minutes and were based on a semi-structured questionnaire (reproduced in the online Appendix).

The findings suggest that the financial crisis, and later the euro area crisis, surprised the Brussels policy community and the leaders in the member states. Initially they thought they would be protected because of the euro, but quickly discovered that although the euro itself remained stable, the member states had diverse opinions on how to deal with the crisis (interviewees stressed how member states have had very differing views from one another along different cleavages: west versus east; north versus south; rich versus poor member states). Yet Germany was a strong player: ‘[solutions that were proposed] …have a strong German imprint.’ (interviewee 7 July 2016). Solidarity among the member states was a problem (interviewee 14 June 2016). Initial policy choices were insufficient to offset the crisis. Subsequently many new institutions were created (EFSF, ESM, Fiscal Compact, two-pack, six-pack, banking union etc.).
Given the urgency with which the crisis emerged, practices changed. Before the crisis there were mostly face-to-face meetings at regular intervals. The crisis required faster consultation: so more teleconferences rather than merely face-to-face meetings and more generally an increase in the frequency of meetings. Even after numerous new regulatory frameworks were set up, there was a concern that a crisis could hit again because policy-makers felt that the Commission and the European Central Bank (ECB) only had few policy tools.

When asked how important President Juncker was in the process of creating the 5PR, the interviewees had different responses. One interviewee stressed that on substance the ECB had the most impact (interviewee 7 July 2016). This same interviewee mentioned that the report suffered from having been set up without adequate prior ‘buy in’ from the member states. He stated that after it was done member states like Germany and the Netherlands were quite vocal in stating that they did not like it very much. Another interviewee, said that, personally, he felt that Juncker had adopted a more ‘intergovernmental’ approach to moving forward. He mentioned that Juncker might have taken this approach because time was of the essence. In this way Juncker took on a leadership role to shepherd it through. Once the report was launched it was quickly taken on board in the Commission (the ‘process’ of how the 5PR was created was ‘quickly forgotten’ interviewee 13 June 2016).

Why did Juncker take on the role of the Chair of the 5PR rather leaving it to the European Council President as had been the case with the 4PR. One suggestion was that it was simply because Tusk had been focusing more on other matters and was happy to leave economic and financial matters to the Commission President (interviewee 14 June 2016).

The recent literature on political leadership stresses that ‘[l]eaders are seen to both read and change their followers’ minds, causing them collectively to go on journeys which they would otherwise never have contemplated (Rhodes and ‘t Hart 2014: 9). The research on political leadership stresses the interaction between leaders and followers. The resources a leader has can be many, including superior knowledge of a dossier, agenda-setting power and having legitimate power. When Juncker became the President of the European Commission, he brought to the table a long-standing expertise, especially in the area of EMU. Juncker was Minister of Finance during the birth of EMU, at the end of the Intergovernmental Governance, at the European Council meeting in Maastricht. In fact he would remain in that role for many years. He was President of the Euro-Group (2004-2013).

In terms of agenda-setting, a recent study assessing the leadership of previous European Commission presidents suggests that Juncker’s predecessor (José Manuel Barroso) had an overloaded agenda (Müller 2017). By contrast, Juncker formulated ten priorities, with the fifth of them being ‘A Deeper and Fairer Economic and Monetary Union’ (EP 2014; European Commission 2016a). Following changes in the Lisbon Treaty, that stipulated that there be some connection between the EP elections and who would be the new Commission President, the EP parties themselves suggested that whichever party obtained the most votes would deliver the Commission President.
In March 2014, Juncker was elected the lead candidate ‘Spitzenkandidat’ for the European People’s Party (EPP) for the EP elections (Christiansen 2016). Before the EP elections, the idea of having Juncker as candidate for the European Commission President was not at all supported by the leading member states (and before Lisbon entered into force leading member states themselves selecting the Commission President). For instance Chancellor Angela Merkel of Germany and Prime Minister David Cameron of the United Kingdom had not been very keen to have Juncker as Commission President but would have rather had someone like Christine Lagarde, Managing Director of the IMF. But even Merkel accepted eventually that this process led to Juncker being the legitimate candidate for the position.

Thus, when Juncker took on the role as Commission President in November 2014, he had the experience of a statesman, felt he had more democratic legitimacy, and thought it was important he take more lead. One of the first things he did was to appoint a number of Vice Presidents, thereby starting to make this College of Commissioners more executive, more powerful and as observers have labelled it ‘more political’. His State of the Union address, in September 2015, was also more forceful than those of Barroso had been before him. He presented a different style of leadership than the previous president had displayed.

The way in which Juncker operated is in line with the literature on what makes for more successful political leadership of the European Commission: to set a clear the agenda, with a couple of main topics, and develop these topics step-by-step over time (Müller 2017). As mentioned above, Juncker, being cognisant of the time pressure, did not use the Commission legal services to produce the 5PR. His ‘Presidential style’ has been to keep his cards often close to his chest. He wanted to make sure the report was timely and bold, leaving the details for later. When the 5PR was issued it was made with a view to deeper European integration, reflecting on the earlier reports, building on them, but very much with a view to finding the next steps for the road to deepen economic and monetary union.

The Greek crisis made abundantly clear that the European Commission had been a weak leader (cf. Hodson 2013). But one of the reasons was that the Commission did not have many areas in which it had much competence to deal with the Greek crisis. Although the Greek crisis and the ensuing euro area crisis was all encompassing, the EU only had budgetary and fiscal tools – and of those, it had only negative tools (restrictions); it did not have spending capacity as member states or other federations across the globe had to their disposal. It had the rules on budgetary deficits and fiscal debt through the SGP, which had been proven to be weak under pressure (Heipertz and Verdun 2010). The Commission did not have access to a crisis resolution mechanism, an institution for banking resolution, or corrective mechanisms to address national macro-economic imbalances. The problem that was identified in the Commission at the height of the crisis was that there were few policy instruments (various interviews, April-June 2016).

Of course Juncker was aware of some of the possible resources he could build on. As mentioned, in first instance the five presidents only worked on the report in their own capacity (without the Commission services assisting). Furthermore, the same person who advised Van Rompuy to draft the 4PR was available to draft the 5PR. So he had a technical assistant who
knew the dossier very well. Furthermore, he was smart to include in the drafting of the text many of the insights of Draghi. The latter had been rising to the occasion himself through his work in the ECB and had been passionate about saving the euro. Taking the EP President on board was crucial to ensuring that this report would have the elements needed to deal with questions of legitimacy and democracy. Juncker was well aware that as the EU deepens that the democratic features have also to be further developed. Finally he was aware that many things would be difficult to do in the short run, with so much turmoil in the EU, and the lack of appetite for deepening European integration, and with numerous national elections in 2017. Thus, the first few stages could be taken without treaty change. The steps that require an intergovernmental conference and treaty change, were pushed to the future.

Besides drawing on the expertise of the other presidents (leaning in particular on Draghi), Juncker also drew the key role to himself (as opposed to having the President of the European Council remain in the lead, as had been the case with the 4PR). With the change in the Presidency of the European Council from Van Rompuy to Tusk, the likelihood that Tusk would be equally passionate as Van Rompuy had been, or have the same skillset was uncertain. After all, Van Rompuy became president of the European Council during the outbreak of the euro crisis. His intuition had been to deepen EMU via the 4PR (Dinan 2017). Rather than leaning on Tusk, Juncker himself presided over this report.

Finally, much has been made recently about the question whether the EU has leadership and who is leading the EU (Tömmel and Verdun 2017). Some authors have emphasized the intergovernmental nature of the EU (Bickerton et al. 2015), and in particular that nothing can take place without the support (overt or covert) by Germany (Schöller 2016; Henning 2017). After all, the 5PR is all about deeper integration, which the Germans had come around to, certainly by 2015. It is true that the German government had been very reluctant at first to centralise funds to bail-out Greece, but once it became clear that not saving Greece would mean that Greece would leave the euro and the possible damage that would do to the euro area, the German government came around and has become much more vocal about the need for deeper integration.

4. The content of the 5PR
In some ways the 5PR is familiar but in other ways this report is new and far-reaching. As mentioned above, it is similar in that it resembles the structures of the two twentieth-century EMU blueprints (the 1970 Werner and 1989 Delors Reports). Each had a three-staged approach (with more clarity about the time table in the first stage; some intermediate steps for the second stage, and a declaration and some sort of deadline for the third stage – 1980 for the Werner version of EMU and ‘before 1999’ for the Delors version of EMU; and 2025 for the third stage in the 5PR). In terms of its content, the 5PR builds on the 2011 Euro Plus Pact on Stronger Economic Policy Coordination for Competitiveness and Convergence, the Four Presidents’ Report (June 2012) the subsequent late November 2012 Commission Blueprint (European
Commission 2012), and the 12 February 2015 Analytical Note ‘Preparing for Next Steps on Better Economic Governance in the Euro Area’ (Juncker 2015b: 2, 7).

One of the main reasons to produce the 5PR was that a number of the more concrete goals of the Four Presidents’ Report (4PR) had been achieved, or considerable progress made towards them (Mongelli, et al. 2015): notably the single supervisory mechanism for banking; an expanded fiscal and macroeconomic governance system in the form of the six-pack, the fiscal compact, the two-pack, the European Semester, and the ESM. These achievements formed most of stage one, foreseen for end of 2013. The second stage (to begin in 2013-2014) seems also to have been put in place, i.e. the common resolution authority (de Rynck 2016), while progress has also been made on the second element of the second stage, the ‘mechanisms for stronger coordination, convergence and enforcement of structural policies’ (Van Rompuy 2012: 4). The least developed stage of the 4PR is ‘stage 3’: ‘Improving the resilience of EMU through the creation of a shock-absorption function at the central level (the fiscal dimension). This stage was dated ‘post 2014’.

In the 5PR, the proposals have been toned down somewhat with a less clear timetable and limited indication of the instruments to be used. It seems that the realities of the day, both the fact that major changes would need treaty changes or binding intergovernmental treaties, for neither of which there was political appetite in the short-run, which led to modest goals in the 5PR. The 4PR also included some text on democratic legitimacy and accountability, which was not mentioned in the three stages. The 5PR returns to these terms in its fifth heading and calls for ‘a key role for the European Parliament and national parliaments’, ‘consolidating external representation of the euro’ and, probably the most daring but politically difficult ‘a euro area treasury’. Overall, this document contains far-reaching proposals for change but the (legal and political) steps to get there have not been spelled out in any detail.

The 5PR is quite daring in mentioning that deeper integration would require creating different ‘unions’: (1) economic; (2) financial (which includes completing the banking union and a capital markets union); (3) fiscal; and finally (4) political (Juncker 2015b: 4-5). As in the 1970 and 1989 reports, the 5PR states that these dimensions need to ‘develop in parallel’ (Juncker 2015b: 5) – meaning, liberally translated, that leaders lack priorities, but aim to work on all of these things simultaneously. The 5PR is considerably bolder and more ambitious in explicitly including in its vision for EMU these various ‘unions’ not mentioned in the earlier reports.

The first stage of the 5PR proposes several far-reaching advances in socio-economic coordination. In particular it should rest on four ‘pillars’: (1) a euro area system of Competitiveness Authorities; (2) strengthening and implementing more vigorously the so-called Macroeconomic Imbalance Procedure (MIP); (3) greater focus on employment and social performance; (4) revamping the European Semester.

Let us examine each of the four pillars in turn. The report recommends that each member state set up a national competitiveness authority if they do not already have one (as do for instance Belgium and the Netherlands). Its mandate would be to track national competitiveness, e.g. by ensuring that wages develop in line with productivity. Established in the autumn of 2011,
at the height of the crisis, the MIP, which already forms an important part of the European Semester, consists of a corrective arm and preventive arm (similar to the SGP). The 5PR suggests that MIP be used to facilitate structural reforms through the European Semester and the MIP’s corrective arm should be used soon as excessive imbalances emerge but also to monitor their implementation (5PR pp. 8-9; see also Zeitlin 2016 and Howarth and Savage 2017). Yet the European Semester should keep a close eye on jobs and welfare so that deeper economic and monetary integration improves employment and social wellbeing (which has indeed started occurring through the Country Specific Recommendations, see Verdun and Zeitlin, 2017; Zeitlin and Vanhercke 2017). Without adopting a one-size-fits-all model, the member states could benefit from best practices to learn from each other about how to deal with long-term unemployment and related issues. Furthermore, the crisis has given rise to the European Semester as a way to set priorities while leaving to member states the responsibility to respond to more focused country-specific recommendations. Member states should be held accountable on how they deliver on their commitments. Following earlier experiences with the Open Method of Coordination (OMC), the member states should be encouraged to consider best practices and respond to benchmarking. Finally, the timing of the national policy cycle should be integrated with that of the European Semester, which would be divided into two sequential stages: the ‘Euro Area’ stage (November through February); followed by the ‘national’ stage (March-July) (5PR Annex 2, p. 24).

The first stage would be devoted to assessing the euro area as a whole. Four sources of input would feed into the so-called Commission’s Annual Growth Survey: (1) a report by the European Fiscal Board; (2) a Joint Employment and Social Report; (3) a Report by the European Systemic Risk Board on macro-prudential issues and (4) a Report from Independent Competitiveness Authorities. This would lead to recommendations for the euro area but also for the individual member states (following the MIP). These recommendations would be discussed in the EP in the context of the economic dialogue (six pack), and with the different Council formations as well as with the Eurogroup and lead to the setting of priorities for the euro area by the end of February each year.

The second stage would entail assessing the performance of the euro area member states in light of the set priorities. The 5PR mentions that in this second or ‘national’ stage: first, the Commission’s country reports as well as that for the euro area as a whole will be reviewed in each member state, consultation with national parliaments, social partners, and civil society groups. Next, national reform and stability programmes will be adopted which will feed into the Commission’s draft country-specific recommendations and opinions on national budgets (5PR, Annex 2, p. 22). In May 2013 the so-called Two-Pack consisted of regulations that would facilitate more coordination. In particular, it introduced a common budgetary timeline and common budgetary rules for euro area member states.

When the Werner and Delors Reports were published, few contemporaries thought that they would offer a crystal ball showing the road to EMU. Nevertheless, in hindsight, much was achieved by following up on these blueprints. What about the 5PR? Do experts and observers
think there is any chance for this professed set of unions to complete EMU to come to fruition?
What is the political environment in which the 5PR has to operate?

5. The 5PR: a likely success?
The responses to the publication of the 5PR were mixed, as not all commentators found it convincing on all aspects (Financial Times 2015). Yet numerous observers engaged with it reasonably positively although criticised that it was insufficiently specific (Begg 2015; Wolff 2015: 2; Thillaye, 2015: 3; EP Research Blog 2015). Despite initial German grumbling, German Finance Minister, Wolfgang Schäuble in an interview with Der Spiegel in summer 2015, responded positively to the main ideas in the 5PR, such as the need to create more political integration to strengthen the euro area, transferring more powers to the European Commission and EP, and creating a euro area finance minister, which would indeed require treaty change in the medium term (Der Spiegel 2015).

Parliamentary chambers have also engaged with the report and discussed it in their midst. The two Dutch chambers discussed the report in 2015 (Koenders, 2015, p.1, or Kamerstukken II, 2014-2015, 21 501-20 nr 1003. p.1) and considered ways in which the current framework needed to be adjusted so that further steps in the long run could be made (Kamerstukken I, 2014-2015, E150013, p.3). Similarly the UK House of Lords embarked on a consultation process (House of Lords 2015a; House of Lords 2015b). In its final report the House of Lords welcomed the 5PR to ensure sustainability of the euro area although it zoomed in on the need to secure democratic accountability among euro area populations for any new institutions that would be created as a result of the reforms suggested by the Report (House of Lords 2016). The Finnish Minister of Finance, Alexander Stubb, mandated a working group to assess the 5PR (Finnish Ministry of Finance 2015). The group identified two main visions for deeper economic and monetary integration, one based on centralised governance and the other on market discipline. These are merely some examples: the 5PR has been debated extensively in twenty-two other national jurisdictions, from September 2015 through July 2016 (European Commission 2016b).

The major EU institutions have also responded to the Report. The European Commission adopted the 5PR and integrated its main points into its own agenda. On 21 October it issued not only a 17-page communication about next steps, focusing particularly on the first stage, but also a Decision on the establishment of an Independent Advisory Fiscal Board. In addition, it published a Recommendation for a ‘Council Recommendation’ on the establishment of National Competitiveness Boards within the Euro Area, and issued a document on the external representation of the euro. The Independent Advisory Fiscal Board was formally adopted through a Commission Decision in October 2015 (COMMISSION DECISION (EU) 2015/1937). The ‘national competitiveness boards’ have been renamed into ‘national productivity boards’. The EP (2015) adopted a Resolution in December in which it accepted the 5PR but had some suggestions for alterations in particular in ensuring more democratic oversight by the EP of various stages of the process of economic governance. Finally, Jeroen Dijsselbloem, President of the Eurogroup, made a passionate speech on the eve of the Brexit referendum to complete EMU.
in a pragmatic step-by-step fashion, whilst calling for the completion of a number of the ‘unions’ mentioned in the 5PR (such as completing the Banking Union, create the Capital Market Union and deepening the Single Market).

In the immediate period following the publication of the 5PR, not much attention has been given to the 5PR by researchers. The lack of attention is caused in part by the fact that the EU has been absorbed by manifold challenges which include the rise of national populism and euroscepticism, but also the fact that one of its member states is leaving the Union (Brexit) and the ensuing negotiations that this process entails – all during a period when numerous key member states faced or went through national elections.

Yet the European Commission (2017a) White Paper on the ‘Future of Europe’ which contains reflections and scenarios for the EU27 by 2025) that came out on 1 March 2017 builds on the path including the target date of 2025 which corresponds to the third stage mentioned in the 5PR. The report on ‘Completing EMU’ that also came out in spring 2017 (European Commission 2017b) also builds on the 5PR and the ‘Reflection paper on the deepening of the Economic and Monetary Union’, that came out on 31 May 2017 (European Commission 2017c) suggest that the 5PR has been incorporated into the next steps of Commission planning (European Commission 2017b: 26). These three reports have reconfirmed the commitment of the EU towards deepening EMU; the path towards deeper economic and monetary integration is still firmly grounded on the proposals set out in the 5PR.

6. Conclusion
The 5PR was written as a general declaration. It is vague on many issues, and could easily end up in the bottom of a drawer. The 5PR seeks to strengthen coordination in areas of economic union, financial union (include completing the banking union and the capital markets union), fiscal union and political union. A number of these areas have seen proposals before and have been notoriously difficult to achieve. The words can be deceptive. ‘Banking Union’ has been achieved, to some extent, but needs to be further completed. ‘Fiscal Union’ is a big word, and until recently very few anticipated that the EU would become a proper fiscal federation within ten years. However, with the election of Emmanuel Macron to the position of President of France and the departure of the UK from the EU, the environment may become more conducive to this prospect.

The many deficiencies of European economic and monetary integration built into the institutional architecture of EMU are well known. For many decades the EU has been seeking ways to deepen integration in this area. The financial crisis that led to an economic crisis, a banking crisis and a sovereign debt crisis which ultimately put the entire euro area at risk, brought these fault lines to the fore. The Five Presidents’ Report, which follows on the Four Presidents’ Report, sought to provide the EU-level answer to this incomplete economic and monetary integration. The co-authorship of the Five Presidents seeks to signal that all leaders in the EU responsible for the euro are working together. The fifth president was added because democracy, legitimacy and accountability is a major concern and the EP president personifies the
body that would need to be involved to increase democratic credentials of any new or improved architecture.

This paper builds on that view and analyses how the 5PR is similar to earlier reports. In terms of how the 5PR came into being, we see a mix of historical institutionalism (a similar approach to making next steps as earlier reports had taken) with the format, timetable, and three-staged approach, being familiar features. In this way use is being made of path dependence and ‘increasing returns’. The explicit choices made in the 5PR work to set the agenda. This paper has also looked at how Juncker displayed leadership to get the 5PR adopted, the timing, and whether it increased the chances that the report will be a major building block in completing EMU. Indeed, the paper has demonstrated how Juncker acted as a strong leader throughout by taking it upon himself to move the process forward (took on the presidency of the report – away from the European Council president), kept an eye on timing, expanded the membership of the Presidents by adding the EP president, and chose to have the five present the report in their own name – as presidents. In doing so, he was able to produce it in a timely fashion but he also took a gamble: the report had not been fully endorsed by either the full college of commissioners nor by the heads of states and governments. What has happened since is that the Commission services have followed up with concrete steps and the 5PR has been discussed in many national parliaments.

The 5PR was launched in June 2015 with the Greek crisis still ranging and gaining in intensity (the third Greek bailout program was only agreed to in July 2015), followed by the summer-autumn 2015 refugee crisis. Despite these very difficult circumstances, the EU and national levels have been taking the 5PR seriously – engaging with its roadmap and recommendations. Yet as we have seen in the case of the Greek crisis, the difficulty of complex negotiations in which the EU does not (yet) have executive power to act, and one in which there are many effective veto players, means that the process can be dragged out. These domestic circumstances range from the process of negotiating the relationship of the UK with the EU following the June 2016 Brexit referendum, but also involved insecurity of the outcome of the 2017 national elections. There had been a concern that a more euro-sceptic government could be voted into power in the Netherlands and in France. As it so happened neither occurred. In addition the four unions mentioned in the 5PR require a mix of technical expertise and political buy-in that can be difficult to obtain. Completing EMU will require considerable transfer of sovereignty in the area of banking integration and creative arrangements to coordinate structural reforms, councils that can advise on country-specific recommendations, and a political feedback loop. Not only will national parliaments, the EP and civil society need to become involved (along the lines of what has occurred with regard to the European Semester, see Hallerberg et al. 2017), the European-level public debate would need to become more fundamentally embedded in each country rather than an aggregation of different national debates. All this would effectively change the constitutional bargain that underlies the European integration architecture, as we know it today.

This early assessment suggests that despite political uncertainties and declining EU popularity, steps are being taken along the line of the 5PR. The success of the 5PR going forward
will depend on how well Juncker will be able to lead the process, by continuing to set the agenda, and muster support from member states, in particularly from Germany, and amend governance structures so as to ensure that a deepened EMU is perceived by the citizens of the euro area to be legitimate. The study of past reports and the 5PR suggest that the strategy used often has historical institutionalist characteristics: drawing on three-staged approaches, as well as building on and developing further, the steps previously taken, building on the returns offered by path-dependence. Even though not given much credit to date, we may find out in the years to come, when looking back, that the 5PR made an important contribution to trying to complete Europe’s monetary union.

7. References


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