



Institutional Responses to the Euro Crisis

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Abstract

This article-based dissertation traces the institutional responses to the euro area crisis in the realm of fiscal and financial governance. First, it shows why the diffusion of national fiscal councils in the EU has not led to institutional isomorphism. The troika institutions - the European Commission, the ECB and the International Monetary Fund - formed a technocratic consensus about the desirability of establishing national fiscal councils in the EU. Considerable disagreement existed, however, with regards to their design features. Each institution promoted a distinct fiscal council model in line with their institutional self-interest. Preference heterogeneity among the troika members ultimately prevented the spread of a one-size-fits-all fiscal council in the EU. Second, this thesis links three models of a fiscal council (agent, trustee and orchestrator) to three different sources of the deficit bias (i.e. forecasting errors, common pool problem, asymmetric information) and three different conceptions of legitimacy (input, output, throughput). Third, it explains why the ECB President started to visit national parliaments. The ECB's unconventional monetary policy measures triggered unprecedented levels of public distrust, invigorated a fierce debate about central bank independence and led to deteriorating output legitimacy. Given the diverging demands from creditor and debtor states, the ECB saw an opportunity to reduce the audience costs of their policies by directly targeting national parliaments. Fourth, it shows how large cross-border banks stood to gain from the banking union because it would level the playing field, create regulatory savings and ultimately encroach on the business model of the smaller competitors that had, thus far, been shielded from competition through favorable regulation. Fifth, it discusses the European Stability Mechanism, the ECB, the proposed European Minister of Economics and Finance and the European Fiscal Board and relates them to strategies that supranational actors can pursue to deepen European integration.



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Bio

Tobias Tesche obtained his PhD in Political and Social Sciences from the European University Institute on 13 May 2019. Before joining the doctoral program at the EUI in year 2012, Tobias graduated in International Affairs from the American University, School of International Service, Washington D.C. He currently works as an Administrator at the European Fiscal Board Secretariat of the European Commission.