



Interdisciplinary Political Studies

<http://siba-ese.unisalento.it/index.php/idps>

ISSN: 2039-8573 (electronic version)

IdPS, Issue 7(1) 2021: 95-124

DOI: 10.1285/i20398573v7n1p95

Published: July 10, 2021

RESEARCH ARTICLE

The New Economic Governance: The Reaffirmation of a Fiscal Governance Machine

Vanessa Bilancetti

Uninettuno University

ABSTRACT

This article engages critically with the International Governmentality Studies, delineating a new use of Foucault's toolbox applied to analyse the New Economic Governance (NEG) reforms. The main argument is that the NEG is a reaffirmation and a reinforcement of the fiscal governance machine established with the Stability and Growth Pact (SGP). The fiscal governance machine is an ensemble of techniques shaped by and through which the European art of government is able to work in the entire European space. The article analyses how the Treaty on Stability Coordination and Governance reaffirms this fiscal governance machine. By looking at three techniques – the structural deficit, the Fiscal Council, and the Automatic Mechanism – it shows some key features of this fiscal governance machine: a new discretionary power in the hand of the European Commission and of its DG Finance, a decentralised and semi-automatic form of control on Member states, the structuration of a euro-national ensemble of executives and finance institutions.

KEYWORDS: European Union; New Economic Governance; Governmentality; Foucault; Fiscal Governance Machine.

CORRESPONDING AUTHOR:

Vanessa Bilancetti (vanessa.bilancetti@uninettunouniversity.net)
Corso Vittorio Emanuele II, 39, 00186 Roma, IT

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1. Introduction

In the last decades, International Governmentality Studies (IGS) have been the best tool to analyse reforms, programmes, or plans of the new emergent global institutions (Walters 2012). In fact, researchers deploying a governmentality approach have been very effective in exposing the ‘taken for granted’ of the emerging global governance (Walters 2004; Shore 2011; Isleyen 2014; Zanotti 2016). However, the continuous emphasis on multiplicity as much as a passive understanding of actors – being institutions or states – only able to perform in their daily routines ideas and discourses shaped elsewhere, has put the IGS in a conundrum, where they have been unable – and not interested – to analyse the economic and financial crisis and the European institutional answer to it.

From the one hand, this article will constructively engage with the IGS concerned with European integration criticising them on three points: their focus on the plurality of powers and resistances, but not on their articulation (Mezzadra & Neilson 2013); the interest on plans and reforms, but not on their application (Lemke 2007); and the specific relations between knowledge and power, but not on the broader socio-economic context (Jessop 2010). On the other hand, it will delineate a new use of Foucault’s toolbox to be applied in the analysis of the New Economic Governance (NEG).¹

¹ In this article when we talk about New Economic Governance we refer to the Six-Pack, composed by: Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies; Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EU) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure; Regulation (EU) No 1173/2011 of the European Parliament and the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area; Council Directive (EU) No 85/2011 of 8 November 2011 on requirements for budgetary frameworks of the Member States; and the so-called Macroeconomic Imbalance Procedure, namely Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the Euro area. The Two-Pack, composed by: Regulation (EU) No 473/2013 of the European Parliament and the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area; Council Regulation (EU) No 472/2013 of the European Parliament and the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability. The European Semester codified in the Regulation No 1175/2011 (EU), part of the Six Pack. And The Treaty on Stability Coordination

Our analysis starts from the idea that in the European Union the liberal art of government has been reformulated in a specific combination of ordoliberalism and neoliberalism, an *ordo/neoliberal* art of government. This art of government works through different techniques, some of which are composed and stabilised in governance machines. The fiscal governance machine has governed the European economic governance making fiscal prudence the only acceptable economic discourse. Therefore, our main argument is that NEG is a reaffirmation and a reinforcement of this fiscal governance machine, initially set up with the Stability and Growth Pact (SGP).

The argumentation of the article is developed in three steps: first we introduce how governmentality has been used in International Relations and European Studies. Second, we delineate how the *ordo/neoliberal* art of government works in the European space. Third, we explore how the fiscal governance machine has been reaffirmed in the NEG, looking specifically at three techniques: the structural deficit, the Fiscal Council, and the Automatic Mechanism. Through their analysis we are able to show some key features of the reaffirmation of the fiscal governance machine: a new discretionary power in the hand of the European Commission and of its DG Finance, a decentralised and semi-automatic form of control on Member states, the structuration of a euro-national ensemble of executives and finance institutions kept together by an *ordo/neoliberal* discourse.

2. Governmentality in European Studies

Since the ending of the Cold War, International Relations (IR) has been forced to open its debate between Realism and Liberalism to a new set of questions and points of view. Traditional IR was questioned by new emerging critical approaches more able to analyse the global situation and the new emerging global challenges (Dunne et al. 2013). The same capacity to open up the traditional debate did not occur in European Studies, where Neo-functionalism and Intergovernment-

and Governance entered into force the 1st January 2013, and signed as an international treaty and not part of the EU legal framework.

talism are still dominating the discipline, with their binary division between national and supranational, intergovernmental or supranational, economic or political integration (Manners & Whitman 2016).

Mainstream European Studies takes for granted its field of research, understanding itself as objective, apolitical and rational discipline. The different mainstream approaches – even if in different ways – share an ahistorical view on the human nature, which is considered rational, individualistic and utilitarian. This is what Ryner (2012, p. 649) defines an instrumental reason, based on *ceteris paribus* assumptions, which leads to analyses that “isolate and treat all but selected dependent and independent variables as constant” (Cafruny & Ryner 2003, p. 33). Nevertheless, even during the crisis, Neo-functionalism and Intergovernmentalism remained the alpha and the omega to refer to (Fabbrini 2013; Vilpišauskas 2013; Bickerton et al. 2015; Niemann & Ioannou 2015; Schimmelfennig 2015; Caporaso & Rhodes 2016).

In these years, scholars inspired by Foucault – in many different ways – have called into question this mainstream debate highlighting how theories are not objective. On the contrary, theories have the capacity to inform their field of analysis through their conceptualization, in this way, they have used Foucault to reveal the connection between the production of knowledge and the question of power, exposing the non-neutrality of the researcher’s position (Diez 2008). From this stance, European Studies does not merely describe the European system, but it actively contributes to the construction of the system. Hence, the mainstream debate is shaping a ‘disciplinary orthodoxy’ which is producing and constraining the European space (Selby 2007, p. 327).

In the ’90s, Foucault was mainly applied to study the transformations of social programmes at the national level: the shift from regimes of welfare to regimes of workfare; from vertical judgement to peer evaluation; from authoritative decision-making to good practices (Burchell et al. 1991; Barry et al. 1996; Cruikshank 1999; Rose 1999; Miller & Rose 2008). In the English-speaking countries, these studies flourished after the publication of the *The Foucault Effect: Studies in Governmen-*

tality by Burchell, Gordon and Miller (1991),² and they proved to be very effective in analysing the neoliberal turn of welfare institutions.

Since the early 2000s, Foucault has entered into IR discipline opening the discipline to a new set of reflections and debate.³ There is a very heterogeneous use of Foucault both in IR and European Studies. Selby (2007) proposes to divide this heterogeneous body of works in three different groups: first, works who have used Foucault to criticise the realist debate (Shapiro & Alker 1996; Rosenow 2009; Walker 2009); second, works who have used Foucault with the empirical purpose to bringing to the fore the discourses, practices and techniques of the new emergent neoliberal governance (Huysmans 2004; Zanotti 2013; Isleyen 2014); third, works who have used Foucault as a basis for a new broad analysis of the contemporary global order (Hardt & Negri 2001, 2006, 2011, 2017).

The first and second group of works can be labelled under what Walters (2012) calls 'International Governmentality Studies' (IGS), a constellation of works who have used governmentality as a form of political analysis for international relations. This constellation, contrary to what is generally thought, does not use Foucault as a postmodernist author who privileges discourse over materiality, but on the contrary, it applies governmentality as a tool to study the relation between knowledge and power in international politics as an empiric site of analysis (Walters 2012, p. 88). In this article, we will take into consideration only those International Governmentality Studies concerned with the European space and European integration, their research agenda, and their critique to the mainstream European integration theories, what we could define European International Governmentality Studies.

Foucault introduces the category of governmentality in the courses of 1977-78 and 1978-79 at the Collège de France: *Security, Territory, Population* and *The Birth of Biopolitics* (Foucault 2008, 2009). In these two lectures on governmentality,

² This book introduced Foucault's concept of governmentality in the English academic debate, even though the two Foucault's lectures on governmentality were published only in 2004 and 2005 in France, and translated into English in 2008 and 2009.

³ On this debate, see Kiersey & Weidner (2009) and Shani & Chandler (2010).

Foucault connects his previous analysis on discursive formations (Foucault 1972) and disciplinary power (Foucault 1995) to a new set of problems: how power is exercised on population and how this power rationalises itself. In these lectures, Foucault examines how a pluralisation of discourses is articulated in ‘a rational art of government’, first the liberal art of government, and then its ordoliberal and neoliberal rielaboration.

Governing Europe by Walters and Haahr (2005) is the first book that systematically applied a governmentality approach to an analysis of European integration. For the two authors this means denaturalizing the idea of Europe, to expose the teleological inspiration presented in many mainstream theories, and shows how struggles about meanings, representations, and images of Europe have shaped the existing European Union. According to Walters and Haahr, governmentality as a form of political analysis explores mainly four issues: rationalities,⁴ forms of power, subjectivity, and technologies.

First, Governmentality Studies have a focus on the rationality of government. These rationalities can be disclosed through looking at discursive formation, this means connecting discourse analysis to governmental practices, to analyse the materiality of discourses, and in this way avoiding the constructivist division between ideas and the material world. This has signified a special attention to policy papers, reports, legal texts, but also charts, graphs, and figures, rather than media or popular discourses, to search for what Walters, using Latour, calls the power of inscriptions (Walters 2002). This attention on the micro practices of governing shows how the European space has being created, assembled, and made visible. This has led many scholars to focus only on the micro-level of single programme or plan, but a governmentality analyses should be used also to examine the general art of government and its transformations. On this issue, Jessop argues that Foucault’s ap-

⁴ Walters and Haahr adopt the term mentality, but I think it is more appropriate to talk about rationality, because mentality bears a reference to an individual mentality, rather than rationality clearly refers to society. Merlingen defines rationality as: “a discursive formation, intimately linked to structures of power that produce effects of truth with regard to specific fields of governance” (2003, p. 366).

proach is *scalable*, in fact in the *The Birth of Biopolitics* Foucault is mainly concerned with macro-institutional transformations rather than specific governmental practices (Jessop & Sum 2011, p. 63). Furthermore, as Lemke (2000) adds it is necessary to reveal what does it happen between and after a programme or a reform plan, which resistances do they encounter and how they are really implemented.

Second, governmentality refers to a specific form of power that emerges in the Sixteenth Century, but becomes fully developed only in the Eighteenth Century: the liberal art of government. A governmentality approach analyses the transformation of the liberal art of government, and its interconnection and separation with sovereignty and discipline. Governmentality Studies have first focused on how a certain neoliberal rationality has changed the way of governing at the national level, to, later, scale up the ‘government at a distance’ to the global level (Walters & Larner 2004). This has permitted, for example, to expose the narrative used by the European Commission on governance as a decision-making process in itself more horizontal, participatory and open to civil society (Shore 2011). But there are two set of problems in this process. First scaling up to a global level the ‘government at a distance’ assumes that the liberal art of government had a similar development every where, instead Foucault’s analysis is focused only on France and the European space (Joseph 2009). Second, in process of scaling up there has been an under-evaluation of what Dean (1999) calls ‘the illiberality of liberal government’, that is to say the contradiction at the centre of the liberal art of government between security apparatus and the production of freedom, a vector at the centre of liberalism. Hence, the liberal art of government does not simply enables and restrains the subjects (Haahr 2004, p. 209), but it can also discipline and exclude (Opitz 2011).

Third, governmentality as a form of political analysis reflects on the forms of subjectivities that the exercise of power produces. In fact, for Foucault, power does not simply repress individuals but it shapes their subjectivities.⁵ This is possible because Foucault views power as relational: “Power comes from below, that is,

⁵ It is important to notice that a process of subjectivation is not only a passive process of ‘subjection’ but a process through which the subject constitutes itself (Kelly 2013, p. 513).

there is no binary and all-encompassing opposition between rulers and ruled at the root of power relations” (Foucault 1978, p. 98). Here, the accent has been posed on the variety of subjectivities envisioned in the different European programmes and policies (Haahr & Walters 2005), but we believe that this emphasis on multiplicity needs to be correlated with an understanding of articulation. It is not sufficient to enumerate the different subjects that are envisioned in a reform – the self-entrepreneur, the active-unemployed, the excluded – but we need to ask how this multiplicity is made to work as an ensemble and under which conditions connections between these different elements are created (Hall 1986, p. 53; Mezzadra & Nielson 2013, p. 194).⁶

Fourth, governmentality as a form of political analysis investigates technologies. The emphasis is on ‘How’ of governing instead of the ‘Why’.⁷ How is the European space made and remade? How is European identity constructed? Through which governmental actions, programmes, and tools? How did something like the European Union come into existence? By which technologies and vocabularies is authority constituted and rule accomplished? (Dean 1999, p. 31). This has meant an attention to technologies of power – the tools through which power is exercised. Technologies are defined in a very broad sense, Walters (2004, p. 161-162) suggests three levels of understanding technologies when applied to the study of European governance. The first level is the micro level, where we can find charts, scoreboards, timetables, benchmarks, evaluations – all of which make Europe visible and calculable. The second level of understanding is the *machine*, and it is the one on which we will draw upon. Machines are relatively durable arrangements of re-

⁶ This implies the recognition of multiple actors, discourses, and regimes in conflict with themselves over the exercise of power, which does not mean that the exercise of power becomes impossible, but it is contested. “From this point of view, an emphasis on the heterogeneity of discipline and biopolitics as technologies of power cannot but go along with and attempt to grasp the unitary moment and rationality of their articulation” (Mezzadra & Neilson 2013, p. 194). In this perspective, a multiplicity of practices, different forms of power, and the coexistence of different rationalities need to be thought together with their articulation and hierarchisation.

⁷ The evasion of any ‘Why’ question is an intrinsic limit of any governmentality approach. I believe it is actually interesting to relocate Foucauldian-inspired Governmentality Studies in the broader socio-economic context, whilst avoiding a universalising and totalising understanding of capitalism (Bilancetti 2019).

gimes of knowledge and practices that constitute subjects and objects over which power is exercised. Europe could be considered as an interconnection of different machines, able to work on different spaces and levels at the same time, a series of European technological zones (Barry 2001, p. 68).⁸ The third level of understanding is viewing the European Union itself as a site where new technologies are created – a space of political creation – such as harmonisation or European citizenship.

Therefore, we will apply governmentality avoiding only a focus on the micro-level, without erasing the illiberality of the liberal art of government, taking into consideration articulation, and referring to the second level of technology, the machine.

3. The ordo/neoliberal art of government in the European Union

Applying a governmentality approach permits us to reposition European governance as a reformulation of the liberal art of government whilst exposing its techniques of government.

In the economic realm of the European Union, the prevailing discursive formation is based on the interconnection between ordoliberal and neoliberal ideas. For Foucault, ordoliberalism is based on: market as a foundational principle for the state, the active role of government to establish free competition, and a society ruled in the name of competition. For this author, the main difference with Hayekian and American neoliberalism is the role of government. For ordoliberals, government should play a role in the market, setting and safeguarding a particular ‘or-

⁸ The machine is a Deleuzian category developed in his reflections around war. Despite drawing on the Foucauldian reading of Clausewitz, Deleuze will develop a different reading of the relation between war and modern power, stating that the war machine is external from the state, which is only able to appropriate this machine for its use (Reid 2003). Walters, inspired by both Foucault and Deleuze, analysing the first two decades of European integration talks about the planning machine configured in the French state and the social-market machine configured in the German state, both at play in the construction of the European Community. “It is a case of how these machines come to provide the conditions of possibility by which a series of decision-making centres, whether located formally within the EU or within national governments, can both see and act on ‘Europe’” (Walters 2004, p. 168).

der', whereas for neoliberals it should not (Foucault 2008, p. 79-100). Furthermore, for Foucault, neoliberals conceive all human behaviour in economic–rational terms, envisaging redefining society as a form of the economic domain (Foucault 2008, p. 216-238).

These two reformulations of the classical liberal art of government have both shaped the European institutions. In fact, the European Union has evolved differently from other free trade zones (e.g., NAFTA or ASEAN) merging neoliberal ideas of free market and abolition of tariffs with a rigid institutional architecture. Hence, the European Union has not only developed a single market but also a European Monetary Union (EMU) governed by the Stability and Growth Pact (SGP), fostering an idea of Europe as a competitive economic space, based on the fiscal responsibility of Member states and the construction of entrepreneurial societies.

The borders of this ordo/neoliberal discursive formation that shape the European economic space are continuously blurred by struggles and the emergence of new practices. But at the same time, the capacity to deal with these conflicts creates a certain stability. This ordo/neoliberal discourse needs to “be seen as anchored in (and helping to anchor) specific social practices, organisational routines, and institutions and/or as partly constitutive of specific social identities in the wider society” (Jessop 2014, p. 355). This means that when the ordo/neoliberal discursive formation emerged, other discourses became less effective – as the one on Social Europe. Hence, this ordo/neoliberal discursive formation is not a unity, but instead of looking only at its multiple forms, we should look for its moments of stabilisation and crystallisation, that is to say the formation of a system of powers. At the same time, we should look for disjunctions, contradictions, and inconsistencies in this system, for the purpose of deconstructing and transforming it (Foucault 1978, p. 92).

In this ordo/neoliberal art of government, Member States are not passive actors but they are active in shaping this discursive formation at the European level, and active in its promotion at the national level. Hence, States are not simply actor

on which governmentality acts upon (Fouquier 2008), but they actively contribute to delineate the ordo/neoliberal discourse, or strategies to change it. However, the ability of a state to shape this discursive formation is based on global hierarchies structured around economic development, military force, and colonial heritage.

Furthermore, this neoliberal discursive formation is not only shaped by Member states, but by struggles between civil, economic and political actors that continuously take place at the domestic, national and international level. Similarly to what we have said for Member states, not all actors are able to shape discourses and practices in the same way or to the same extent, and these struggles over meanings and practices are continuously blurring the borders of this ordo/neoliberal discursive formation. In fact, the ordo/neoliberal art of government functions in different ways, and with different outcomes, when applied to different countries and regions of the European space.

This ordo/neoliberal art of government takes the form of a government at a distance, through governmental, disciplinary and biopolitical techniques. Governmental techniques are all those techniques that foster the responsabilisation of Member States, of their civil societies and their populations, such as the techniques envisioned in the Open Method of Coordination (OMC) (Haahr 2004). Disciplinary techniques are all those that monitor, measure and control subjects over whom power is exercised, these include all the techniques of visibility, as the ones used in the NEG reforms (Walter 2002). Biopolitical techniques are all those which aim to conduct the conduct of populations as a whole, in the European Union these include all the techniques used to regulate migration, in what has been defined the 'border regime' (Walters 2006, 2010).

It is evident how during the crisis we have seen a reinforcement of the disciplinary apparatus: the Six Pack, the Two Pack, the TSCG and the European Semester have all envisaged new mechanisms to monitor, control and sanction Member states. The NEG reforms have the aim to reinforce the apparatus of surveillance of the SGP preventive arm and the disciplinary power of the SGP corrective

arm. This is what has been defined an authoritarian turn of the European governance (Bruff 2014; Oberndorfer 2014; Menéndez 2016).

Hence we think governmentality can help us to: first, to not look at states as monolithic actors, but as spaces where a continuous reshaping of practices, discourses, and institutions takes place, and become organised and re-organised in an art of government. This art of government is not defined only at the national or local level, but also at the European and global level. It is around this continuous reshaping that struggles take place, new practices try to emerge, and counter-conducts take different directions. Second, to analyse power as relational. This means that any relation of power entails a resistance to it. But at the same time, we need to acknowledge that not all relations of power are equal, and these differences form the differential possibility of resistances emerging, and contributing to shape new discursive formations. This differentiation is not always clear in Foucault's writings, as well as in many subsequent studies on governmentality. Third, to grasp the mutual constitution of power and knowledge, between processes of subjectivation and the exercise of power. However, this mutual constitution is not always linear, and not all knowledge (*savoirs*) are able to shape power in the same equal way.

4. The New Economic Governance: a reinforcement of the Fiscal Governance Machine

This ordo/neoliberal discourse has been challenged during the crisis, and its framework has been renegotiated, and at the end it has been reaffirmed and reinforced through the New Economic Governance (NEG). Instead of looking at the supposed intrinsic economic logic of these reforms, or instead of demonstrating their non-adherence to a certain economic logic, we want to look at the context of their emergence, and at “the strategies in which they take effect, whose general design or institutional crystallisation is embodied in the state apparatus” (Foucault 1978, p. 92).

During the crisis, intergovernmental readings have flourished, highlighting the new centrality of the European Council, and in this forum, the renovated ability of the German government to led negotiation process (Puetter 2012; Schimmelfennig 2015; da Conceicao-Heldt 2016). Even though this renovated German ability is undeniable, as we can see in the process which led to the signature of the Treaty on Stability Coordination and Governance (TSCG), many reforms included in the NEG empower the European Commission with a new role of surveillance and guidance of national economic, fiscal, and social policies (Bauer & Becker 2014; 2016).

From our perspective, the ensemble of reforms part of the NEG reinforces what we call a ‘fiscal governance machine’ set up with the SGP and implemented in all the Member states. This reinforcement has meant a turn towards the application of more disciplinary technologies able to scrutinise, monitor, and make visible. By ‘fiscal governance machine’ we point out an ensemble of different institutional devices, organised on different scales and levels, that share the same apparatus of knowledge and power based on a competitive economy, fiscal stability, entrepreneurial society and individualized responsibility, that have the aim of steering the political economy of Member States.

Conceiving fiscal stability as a machine of governance means to take into account a range of interacting socio-technical entities among which we can list: neoliberal think tank, international economic organisations, fiscal agency, public authorities, fiscal and economic ministries, universities, statistical offices, independent bodies, computer models, forecasts and algorithms. Such an account looks how fiscal stability has become the main objective of European and national institutions (Bousquet 2014). As we have explained in the previous section, this is not the sole machine at work in the European space, and instead of conceiving the European Union in terms of political bargains between states (Walters 2004), we could think at the European Union as an assemblage of different governance machines in conflict with each other (Acuto & Curtis 2014).

The Six Pack, the Two Pack and the TSCG contain measures regarding the fiscal and economic governance of the Union, co-ordinated by the cycle of the European Semester (Verdun & Zeitlin 2018, p. 138). The principle aims of these reforms is well surmised by the third article of the TSCG, where we read: ‘the budgetary position of the general government of a Contracting Party shall be balanced or in surplus’ (art 3.1a). Since the European institutions have considered excessive deficit and debt the main problem to main cause of the financial crisis, how to enforce effectively the balanced budget rule in all Member states and their sub-state actors is the central question beyond these reforms.

For question of space, in this article we examine in depth only three techniques envisioned in the NEG: the Structural Deficit, the Fiscal Advisory Council, and the Automatic Correction Mechanism. These techniques highlight three exemplar features of the NEG: a new discretionary power of the European Commission, the automatization or semi-automatization of rules, and independence of the relevant national agency from state institutions, at the basis of the reinforcement of the fiscal governance machine.

3.1. The Structural Deficit

Since its approval, the SGP has triggered a debate around the relation between fiscal stability, that for the pact is expressed in the 3% threshold, and economic growth. After the conflict between the European Commission and the Council on the French and German Excessive Deficit Procedure (EDP),⁹ in 2005, a reform of the Pact clarified the procedure for Excessive Deficit. The nominal ceiling of the 3% was replaced, and the structural deficit was introduced (Council Regulation (EC) No 1056/2005).

⁹ In 2003, a procedure for Excessive Deficit was open against France and Germany. Even though the two countries did not comply with the path set up by the Commission’s programme, the Council did not approve the sanctions proposed by the Commission. For this reason, the Commission brought the Council before the European Court of Justice for exceeding its authority, and the Court ruled against the Council.

Today, Member states are expected to respect the Medium Term Objective (MTO), or to be heading towards it by adjusting their structural budgetary position at a rate of 0.5% of GDP per year as a benchmark.¹⁰ The MTO is calculated in structural terms, therefore taking into consideration business cycle swings and filtering out temporary measures. The structural deficit is considered by European institutions a better way to calculate the deficit than nominal values, because it is more flexible and able to take into consideration the economic cycle (Wyplosz 2013). This calculation is presented as a technical question of statistics, without any political implications. But who and how can decide which measures should be filter out as temporary and which should be considered structural?

The structural deficit is the difference between present and potential output. The potential output is not observable but is an estimation based on the economic capacity of a country. There are different models to calculate the potential output, and the European Commission, the IMF and the OECD do not apply the same one. And this means that they produce different forecasts.¹¹ This estimation is based on different economic assumptions, subjected to significant errors and revisions, and it end up being highly contested in the economic discipline (Gros & Alcidi 2014; Radice 2014; Heimberger et al. 2017). In 2013, after that the Spanish Non-Accelerating Wage Rate of Unemployment (NAWRU)¹² forecast was equal to the real rate of unemployment, the DG Finance had to revise its model of calculation (Havik et al., 2014; Gechert et al. 2016). Hereafter, different Member states have challenged this calculation, and in 2015, the European Commission had to re-

¹⁰ Art. 3.1d of the TSCG stays that where the ratio of the general government debt to gross domestic product is significantly below 60% the lower limit of the MTO can reach a structural deficit of 1,0 %.

¹¹ In 2016, for example, the output gap for the euro area was estimated 1.0 by the European Commission autumn forecast, 1.2 by the IMF October outlook, and 1.9 by the OECD November economic outlook.

¹² The Commission calculates the potential output as an outcome of human capital, investments and productivity. Hence, it considers production a function of trend capital, labour and total factor productivity. The labour component is calculated on the basis of NAWRU that indicates the level of unemployment below which wages are supposed to rise (Mourre et al. 2013).

lease a communication on the use of flexibility in the SGP.¹³ On the basis of this communication, during the Covid-19 crisis the SGP has been suspended, and the general escape clause has been activated (Commission Communication (EU) No 123/2020).

Here, it lays a new power of calculation assigned to the DG Finance, which is the European institution responsible for this and other measurements. In fact, during the European Semester, the DG Finance is continuously collecting data and information on Member states to make them legible and visible, through what has been called an “information-driven surveillance process” (Savage & Howarth 2018, p. 212). For implementing the reinforced SGP preventive arm, an entire apparatus of knowledge and power has been elaborated based on supposedly-objective economic experts and statistical agencies with the aim to monitor and control different institutional actors. This has turned to be the way through which depoliticise the public debate on economic and fiscal issues, asserting the necessity of fiscal stability as the only valuable alternative. Thanks to this power of calculation, the European Commission, and its DG Finance in particular, has gained a discretionary power on how to calculate and what to make visible, governing the relation between economic forecasts and economic governance. And even though the SGP at the moment is suspended, this capacity of measurement and control it is still active, and it will be deployed to control the implementation of the Recovery Fund by the Member states.

3.2. The Fiscal Advisory Council

For years the IMF, the OECD, the ECB and the European Commission have advocated for independent agencies controlling national budget. In 2006, the European Commission launched a survey about the institutionalisation of Fiscal Council, at that time only the Netherlands, Denmark, and Belgium had a national

¹³ In 2015, the Italian economic Minister Padoan has criticised the NAWRU calculation in the Draft Budgetary Plan. Following this open contestation, the European Commission has released a Communication on making the best use of the flexibility within the existing rules of the Stability and Growth Pact (Commission Communication (EU) No 12/2015).

independent Fiscal Council. The crisis has opened the momentum to achieve their institutionalisation. The Six Pack was the first NEG reform to foster the introduction of Fiscal Councils in all Member states. Then, the TSCG affirmed in its third article that an independent supervisory institution should monitor the actions of the Member states. Finally, the Two Pack has restated this necessity. Today all the European Member states have set up Fiscal Councils, but following different institutional models (Tesche 2019).

The Two Pack envisages mainly two tasks for the Fiscal Council: first, monitoring compliance with fiscal rules, and second, producing or evaluating macro-economic forecasts (art. 5 Council Regulation (EU) No 473/2013). Fiscal Council shall be an independent body, from a structural point of view against any national economic or fiscal authority, and from a functional point of view, operating with its own budget and regulation (art. 2 Council Regulation (EU) No 473/2013). Finally, Fiscal Council shall be composed by economic experts rather than politicians, and it shall have access to all economic data and information of the Member state.

The creation of independent Fiscal Councils to monitor fiscal policies is part of a larger ‘agencification’ process, which outsources regulatory power to independent agencies and bodies centred on the role of experts (Jordana et al. 2011). In this way, issues considered technical are subtracted from public debate and regulations are separated from policy making (Majone 1994). European and national agencies have proliferated in the last twenty years, representing a significant change in the organization of the state apparatuses (Andoura & Timmerman 2008). Today, there are 44 decentralised agencies in the European Union, coordinated by the EU Agencies Network. The Commission describes ‘agencification’ process as a maturation of the EU system and as a strategy to enhance credibility, efficiency and transparency (Commission Communication (EC) No 718/2002).

Creating national Fiscal Councils, the European Commission had the intent to, first, depoliticise certain dimensions of fiscal policy, similarly to what happened for monetary policy (Debrun & Kinda 2014, p. 4). Second, to improve compliance with the fiscal rules controlling Member states from the inside, but without

creating competing competences between the European and the national level (Tesche 2019, p. 3). For this reason, in 2015, it was set up the European Network of Independent Fiscal Institutions (EU IFISI), and, some months later, the European Fiscal Board (EFB), an independent advisory body with a consultative role towards the Commission (Commission Decision (EU) No 221/2016). Thus, at the centre of this decentralised network of fiscal advisory councils, we find, again, the European Commission and its DG finance.

The aim of this decentralised network of Fiscal Councils is to enhance compliance with the *ordo*/neoliberal rationality, and not to improve the democratic legitimation of the new Euro-national procedures (Fasone & Fromage 2016). It fosters a process of surveillance on the political economy of Member states, adding to the top-down dimension of control, an horizontal dimension of control organised directly at the national level, what Sánchez-Cuenca (2017) defines a ‘technocratic federalism in fiscal policy’.

3.3. The Correction Mechanism

If the introduction of Fiscal Councils added a horizontal dimension of control, the idea of an automatic Correction Mechanism goes beyond the simple surveillance on Member states towards direct control. This Correction Mechanism was introduced, in the first place, in the third article of the TSCG where we read that in the event of significant deviations from the MTO or the adjustment path towards it, a correction mechanism has to be triggered automatically. Later, this has been inserted in the European legal framework through the Two Pack.

The common principles of the Correction Mechanism are set in a communication of the European Commission (Commission Communication (EU) No 342/2012). The activation of the Correction Mechanism shall occur in well-defined circumstances characterising a significant deviation (principle 3), and the size and timeline of the correction shall be framed by pre-determined rules (principle 4). The automatic mechanism shall correct the situation through the implementation of counter measures. These counter measure have to restore the structural balance at or above the MTO within a planned deadline, and they should give a prominent op-

erational role to rules on public expenditure and discretionary tax measures (principle 5). Hence, Member states are required to adopt a corrective plan that has to be binding over the budgets covered by the correction period, with rules decided *ex-ante* and not specific to the circumstances. Once this mechanism is adopted, it should be controlled not only by national government, but by an independent body.

The automatic Correction Mechanism can be read as a form of decentralized and peer surveillance, where a move beyond the government at a distance is taking place towards a direct intervention into state institutions. Similarly to the rationale beyond the corrective mechanism, the idea is to move from a top-down dimension of control towards a decentralized system of control, that in the end refers to the DG Finance of the European Commission.

These three techniques reveal important features of the NEG: a new and reinforced discretionary power of the European Commission, the enhanced role of its DG finance, the relation between economic forecasts and economic governance, a decentralised form control on national institutions, and the emergence of a Euro-national system of interconnected institutions. This express not only the reaffirmation of the fiscal governance machine but its reinforcement deploying new disciplinary techniques, exacerbating the illiberality at the heart of the *ordo*/neoliberal art of government. In fact, this reinforcement has accelerated the crisis of parliamentary democracy, giving prominence to the economic and executive institutions both at the national and European level.

5. Conclusion

In this article we engaged critically with the International Governmentality Studies on the European Union to analyse the NEG. Following this perspective, we have defined the European Union as an ensemble of machines, sometimes in conflicts between each other, kept together by the continuous reshaping of an *ordo*/neoliberal discourse that defines the language and objectives of its Member States.

Going beyond a simple emphasis on multiplicity, and the micro level we have focused our analysis on the reaffirmation of the fiscal governance machine after the economic crisis of 2008. This fiscal governance machine, set up with the SGP, has been reinforced with the NEG. We have showed this shifting examining three techniques envisaged in the NEG reforms: the structural deficit, the Fiscal Council, and the Correction Mechanism. Here, we have highlighted how a new discretionary power of the European Commission and of its DG Finance is emerging, as much as a new decentralised and semi-automatic form of control. At the end, we have pointed out how the organisation of this governance machine is creating new connections between economic and fiscal institutions at the national and European level, consolidating a Euro-national space dominated by an ordo/neoliberal rationality. Hence, the conflicts we see between national economic ministries and the European Commission are just part of this art of government which governs through institutional competition. Therefore, to transform this art of government is necessary to challenge the ordo/neoliberal rationality, not simply the institutional level of its decision-making. So even if during the Covid pandemic the SGP has been suspended, this ordo/neoliberal rationality has not been challenged yet. For this reason the Recovery Fund implementation risks to be another reaffirmation of the same discourse, but probably transforming the techniques involved.

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