An interstate bargain? The European Commission’s influence on banking union: Evidence from the Single Resolution Mechanism

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Abstract

This thesis seeks to analyse the key influences behind both timing and content of one of the main pillars of banking union: the Single Resolution Mechanism (SRM). Building on analyses of post-crisis governance in Europe, it confronts the conventional knowledge regarding banking union – that of an interstate bargain – with evidence collected on the SRM, especially concerning the role of the European Commission, which is commonly seen as having lost influence within the institutional architecture of the EU since the crisis. Using an eclectic approach combining liberal intergovernmentalism with neo-functionalism, this contribution argues that while power politics and Council negotiations may better explain the timing of the SRM, neo-functionalism gives a stronger explanation of the content of the SRM. The domestic preferences approach applied to the banking sector in key member states (Germany and France) sheds light on member states’ interests during the negotiations, particularly as to German reluctance to the SRM and southern member states support for a strong European backstop. The continuation of the crisis, especially the banking crisis in Cyprus, has proved to be a window of opportunity for southern member states to push for a compromise over the SRM and explains the interstate process that led to its adoption. The neo-functional approach, on the other hand, gives a clear analysis regarding the content of the SRM, since economic spillover and the Commission’s entrepreneurship have strongly influenced its main features. The multi-layered decision making system agreed for the SRM preserves a pivotal role for the Commission, which reinforces it in the EU institutional balance and contradicts perceptions of a decline of the Commission since the crisis. Rather, this thesis argues that the SRM is a clear example of the transformations the Commission has recently undergone. More politicised, it now strives more for execution powers that contribute to maintaining its influence. In this regard, the SRM can be seen as a complement to the European Commission’s newly acquired powers in the field of economic governance, such as with the European semester.