BEYOND THE COMMUNITY METHOD
Why the Open Method of Coordination was introduced to EU Policy-making

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Abstract: This chapter looks at the introduction of the Open Method of Coordination (OMC) to EU policy-making. This new mode of governance has been developed over the last decade and has received considerable attention in the literature. However, much of this writing fails to put the OMC into the broader context of European Monetary Union (EMU); in contrast, this chapter links the Amsterdam employment title to the prior Maastricht decision to form a monetary union. It seeks to contribute to the literature on European integration in two ways: First, this chapter offers three refinements to Pierson’s historical institutionalist account of European integration. Second, it provides an alternative to functional explanations of the OMC. In brief the argument is that a conservative-liberal coalition created hard law in fiscal and monetary policy to constrain its successors at Maastricht, while the social democratic majority relied on soft law to promote its goals in employment and social policy at Amsterdam. While the former effectively limited later policy-choices, the latter largely avoids sovereignty losses for national governments.

1. INTRODUCTION

Over the last decade, a new policy-instrument has emerged within the European Union. Since the European Council summit at Lisbon, this new soft law procedure has been called the ‘Open Method of Coordination’ (OMC). It differs from the ‘Community Method’ as it is more intergovernmentalist and neo-voluntaristic. What accounts for the European Union selecting less integrationist soft law in employment and social policy while relying on hard law in monetary and fiscal policy? Why has integration been uneven? This chapter traces the paradox of the EU becoming a state in monetary policy while remaining an international
organization in economic policy at large. More narrowly, it seeks to answer the question of why the OMC was introduced to EU policy-making.

In line with the chapters of van Esch and Leuffen/Luitwieler, I will analyze how prior European integration influences the preferences and policy-choices of national actors. To do so, I will rely on the historical institutionalist framework developed by Pierson (1996). He has argued that even though member states (in fact, governments) design European institutions in their own interests, these will thereafter not always conform to their expectations. Instead, ‘gaps in control’ emerge due to the partial autonomy of supranational institutions, restricted time horizons of political decision makers, unanticipated consequences, and shifts in governments’ preferences. Supranational actors use these gaps in control to further their own interest and advance integration. In sum, there will be a ratchet-up effect of integration despite the efforts of national decision-makers to avoid sovereignty losses.

While this account offers valuable insights to European integration, I nonetheless suggest a number of refinements that allow for a broader range of outcomes. First, governments can choose between different policy-instruments for cooperation. Not all of them lead to gaps in control. Instead, some of them – most notably the newly created Open Method of Coordination – strengthen the influence of governments at the detriment of Community actors. Second, governments learn that some modes of governance are more likely to produce ‘agency losses’ than others. In particular, they learn to restrict the autonomy of supranational actors as a result of past experiences. Third, changing political majorities in the (European) Council can influence the choice of policies and policy-instruments. Hence, we have to look at how national governments align along party political lines. Overall, these amendments seem suited to explain how the decision for European Monetary Union influenced later policy-choices. To illustrate this argument, this chapter provides a case study that reconstructs the sequence from Maastricht to Lisbon to demonstrate how prior integration, changing actors, and learning led to the choice of a soft law approach in employment policy – subsequently dubbed the Open Method of Coordination.

In the existing literature, the politics of choosing policy-instruments is oftentimes neglected. Most of the writing on the OMC focuses instead on its presumed effects, that is, they adopt a top-down perspective. It is argued that soft law was selected as a problem-solving device that facilitates mutual learning and a diffusion of best practices (de la Porte and Pochet 2002, 12; Radaelli 2003, 52). Implicitly, it is assumed that policy-instruments are chosen on a functional logic. A historical institutionalist approach, in contrast, stresses how decisions are mediated and constrained by the already