



# BULLETIN

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Editors: Marcin Zaborowski (Editor-in-Chief) • Katarzyna Staniewska (Managing Editor)  
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## Moscovici's Role in Juncker's Commission: French Impetus for an "EU-Turn"

Nathan Dufour

*On 3 November, French former Finance Minister Pierre Moscovici officially started his new job within Jean-Claude Juncker's European Commission. His appointment may announce a shift away from the German pro-austerity posture that has been actively pursued in recent months by France (together with the Italian EU presidency). Moscovici's role will mostly be to set to music the conditions for a well-balanced policy mix at the EU level, namely one that combines continuous fiscal consolidation and bold incentives to promote growth and jobs. As a country committed to join the eurozone, both aspects will equally and strongly matter to Poland.*

As defined in his "Mission Letter," European Commissioner Pierre Moscovici's core responsibility will be "to create the conditions for a sound macroeconomic environment conducive to jobs, growth and investment across the EU, based on sound public finances and a stable single currency [...] This will imply ensuring the effective enforcement of the Stability and Growth Pact in line with both its word and spirit." In this regard, it places the French social-democrat at the heart of a conciliatory attempt to combine pro-austerity and pro-growth tenets. Yet, practice will tell whether the French commissioner will be able to follow this agenda. His chances are quite good.

**A Changing Political Mood.** What speaks in favour of Moscovici is a combination of both political change and the sluggish economic recovery in Europe. The new political reality that emerged from the May European elections consecrated a better position for the Socialists and Democrats in the EP. The European's People Party (EPP), which is the incarnation of the pro-austerity discourse in recent years, faced its biggest loss in terms of seats (now at 221 seats, down 52) while the Party of European Socialists (PES), which pushes a reformist agenda and holds the EP presidency, significantly caught up (191 seats, down by only five). As part of this new picture, the presidency of the ECON parliamentary committee, notably charged with monitoring European Central Bank activities, is now occupied by the S&D group. All in all, the two main political factions are now more than ever forced to forge political compromises to face the rise of the Eurosceptics, which should be turned into the better ability of PES to shape a more social-issue oriented European agenda.

As a matter of fact, the substance of this political shift was quickly transcribed into the *Strategic Agenda for the Union in Times of Changes* adopted by the June European Council, which clearly reflects the need to produce strong answers to the expressed social distress and risk of long-term economic stagnation. Thus, the EU leaders clearly set the tone when calling for "bold steps to foster growth, increase investments, create more and better jobs, and encourage reforms for competitiveness" while making "best use of the flexibility that is built into the existing Stability and Growth Pact." Later on, the figures presented on 4 November by Commissioner Moscovici within the Autumn Economic Forecast—forecasting 1.3% and 0.8% GDP growth, respectively, for the EU and eurozone in 2014, and 1.5% and 1.1% in 2015—re-confirmed the diagnosis that the pro-austerity posture alone will not help Europe recover.

**First Helpful Decisions.** Another asset in the hands of Moscovici are his first practical decisions. In that regard, the October European Council endorsed a newly set up task force led by the Commission and the European Investment Bank that should quickly present its assessment of the potential for launching a €300 billion pan-European stimulus package for the short-term. This investment plan, which appears as a mini version of the French June proposal for a €1,200 billion "European New Deal"—is also a central element of Juncker's own *Political Guidelines*, presented to the

EP last July as an *Agenda for Jobs, Growth, Fairness and Democratic Change*. In that regard, Juncker's very political and ambitious agenda appears to be in due line with the policy orientations given by EU leaders and, in his own words, also aligned with the political contract passed with the European Parliament. In the meantime, the outgoing Commission's last decision to refrain from sending a negative preliminary opinion in late October on France's and Italy's draft budget plans could be another practical signal of the announced shift. Although France and Italy had to chip in a few additional billion euro each as a compromise, this event demonstrated a new coordinated effort by two of the biggest euro economies to further enforce a policy change at the EU level and a slowdown in their respective fiscal consolidation pace.

**Impediments for the New Agenda.** But questions regarding the Commission Vice-President (VP) system orchestrated by Juncker and the latitude of Moscovici for real room for influence and manoeuvre in this system remain pending. As part of his cross-sector duties, Moscovici is to work particularly closely with Finnish Jyrki Katainen (vice-president for Jobs, Growth, Investment and Competitiveness) and the Estonian Valdis Dombrovskis (vice-president for the Euro and Social Dialogue) who were asked to steer and coordinate his work based on their respective portfolios. If Moscovici is given important tasks in the new Commission, the VP system is expected by some to work as a bottleneck for the Commissioner's initiatives. In other words, VPs Katainen and Dombrovskis, two former pro-austerity country leaders, will be the last ones responsible for deciding whose initiatives should be put on the Commission's agenda and how. However, both VPs were given broader portfolios that entail a clear priority on growth and job creation and social fairness in further reforms, which should notably limit their ability to enforce indiscriminate reforms without paying attention to country specifics. In addition, the Commissioners' influence on their respective administration (DGs)—compared to VPs who have only partial access—might be used as a powerful tool to either push forward, soften or even drown particular initiatives. In that regard, Moscovici's large portfolio—be it reviewing “six-pack” and “two-pack” legislation, addressing the European Semester deficiencies, or proposing a framework for possible targeted fiscal capacity at the eurozone level—contains many stark examples of his potential practical room for manoeuvre to promote his own agenda.

**Conclusions.** Since the May elections, all signs have converged on a scenario of a move away from the German-led austerity posture. Both the gloomy economic prospects (i.e., the threat of growth stagnation, deflation and persistent level of high unemployment) and the political results in the last European elections (i.e., the rise of the Eurosceptics), ironically provided strong arguments to France and the European social-democrats to refuse further austerity and enforce growth and a social focus in the new EU agenda. This will be of great help for Moscovici in order to preserve the European character of his function without having to act against his country's pursued interests.

This is crucial for Poland to ensure that both aspects—fiscal consolidation and a demand stimulus package—are equally and strongly pursued. This is, first, because a well-designed pan-European investment scheme could potentially boost sluggish European demand and therefore act as a valuable lever for its strong industrial sector and exports, and second, because the rise of Euroscepticism could threaten the EU project as a whole, which has been a highly beneficial input for Poland's political and economic development. However, Poland, which committed itself to take up the euro, should devote particular attention to the long-term stabilisation of the eurozone economies, including France. In order to do so, Poland could demonstrate its attachment to reduce macroeconomic imbalances by insisting on a strong conditionality-based element in the upcoming European investment scheme. In parallel, Poland also needs to advocate for an EU-wide but not a euro-only investment plan and ensure that all future projects that are launched soundly contribute to the completion of the internal market.