

## **THE PRESIDENT OF THE EUROPEAN COUNCIL AS A LEADER: AN APPLICATION OF THE CONTINGENCY THEORY**

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### **Abstract**

The Permanent President of the European Council represents the most important institutional development in the EU during the last decade. This paper attempts to apply the contingency model of leadership, developed by Schout and Vanhoonacker (2001) for the study of the sixth-month nation-state Presidencies of the Council of Ministers, to the operation of the office of the Permanent President during the current Eurozone crisis. The findings from the application of the model are then related to the broader principal-agent theory. The author argues that with a non-national and longer-serving President at the helm of the European Council, there is an improved balance and relationship between the demand for, and provision (supply) of, leadership on the part of the Permanent President. This, in the author's view, has implications for the principal-agent relationship that undergirds the functioning of executive institutions such as the Presidency of the Council of Ministers.

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## **Introduction**

The emergence of a supranational Permanent Presidency (PP) of the European Council with the entry into force of the Lisbon Treaty represents an important innovation in the institutional framework of the EU. At this level, The PP replaces the rotating six-month Member State Presidency, thus, contributing primarily to the continuity of the political process.

This paper will re-propose, in light of these new developments, a contingency factor analysis that Adriaan Schout and Sophie Vanhoonacker applied to the study of the rotating Presidency in a 2006 article. What the contingency approach brings to the study of the Presidency are the environmental factors (the independent variables) and their influence on the demand for, and supply of, particular roles (the dependent variables). On the demand side, external variables (those related to the EU context) pull the Presidency in certain directions. On the supply side, internal contingencies (related to incentives and disincentives within the domestic environment of the Presidency incumbent) push the office in others.

The purpose of this essay is that of addressing two questions: (1) How has the relationship between the demand for, and supply of, leadership changed with the advent of the Permanent President, and (2) what are the implications of a demand/supply matching for the relationship between principal (the European Council) and agent (the Permanent President)? In fact, the novelty of this paper is that of bringing the concepts of demand and supply into the fold of principal-agent theory (PA theory). *In this case study*, a principal-agent relationship establishes when the heads of states and governments in the European Council in their role as members and ultimate decision-makers appoint the Permanent President as the manager of particular tasks that, when completed with competence and diligence, facilitate the political process in the European Council. Demand and supply determine the position and power of the agent. This, in my view, has implications over the extent to which the principal may control the agent. When dealing with the control of the principal, the primary focus is on ex-post mechanisms to the extent that they follow rather than anticipate a political process that is often uncertain and unpredictable. Hence, they represent a more dynamic and complex view of the principal-agent relationship.

With respect to the structure of this paper, the first section introduces the Permanent Presidency, its origins and the institutional context in which it is embedded. The second section deals with the meaning of leadership, the principal-agent framework in the study of the Council Presidency, and the extent to which such a framework may accommodate the principles of demand and supply as they are found in the contingency model. The third section revisits the theoretical framework to take into account the Permanent President as a new factor. The fourth and fifth sections apply the external and internal factors contingency model to the President's activity. The sixth section discusses the relationship between demand and supply from the analysis of the fourth and fifth sections. The conclusion will look at the argument in the sixth section in the light of the principal-agent paradigm.

## **The Permanent Presidency of the Council**

Both the failed Constitutional Treaty and the subsequent Lisbon Treaty institutionalized a weak Permanent President of the European Council as a compromise between the large and small states. According to these texts, the president was to be elected by qualified majority voting in the Council for a two year and a half term, once renewable. More importantly, before taking office, he or she had to relinquish any office in his or her home state. The first person appointed, Herman Van Rompuy in 2009, is a citizen of Belgium, a small country among those opposed to a

European President out of the fear that the new institution would have become a steward for the large Member States (Wessels 2010).

By the logic of the Lisbon Treaty, the Permanent President is, first and foremost, an impartial manager of the procedures, and an organizer whom the heads of states and governments of the Council have entrusted with handling major parts of their work in between their meetings (Blavoukos et al. 2007). In the agenda-managing dimension, the work of the President of the European Council unfolds in three stages. First, in cooperation with the half-year President of the Council of Ministers and the President of the European Commission, the Permanent President prepares drafts of the agenda, conclusions, and decisions of a European Council meeting. These drafts are, then, debated within the General Affairs Council, and, in light of these discussions, the President of the European Council draws up the provisional agenda, which is, then, submitted for approval at the beginning of the European Council summit. The incorporation of the Commission as part of the preparatory team, the inclusion of the rotating Presidency, and the requirement for deliberation in the General Affairs Council are procedures that curtail *ex-ante* the Permanent President's freedom to impose him or herself as the sole leader in agenda-setting (Corbett 2011a).

Another aspect of the Permanent President's set of tasks as a procedure manager has to do with chairing duties, which include the powers of opening (or prescribing) a voting procedure. In this capacity, the Permanent Presidency shapes the discussions, and, in the most difficult moments, it may act as a mediator and broker among diverging national interests. However, the power to call a vote is quite limited, given the requirement for consensus in decision-making (Art. 6(1) of the Rules of Procedure). Finally, the President serves as an internal representative for the European Council (notably, through the requirement to report to the EP), and an external representative on foreign policy issues (European Council Decisions, Rules of Procedures, Article 15(3); Corbett 2011a).

### **A Contingency Model of Leadership in the Study of the Presidency of the Council**

Variants of the leadership theory, which originate in the negotiation literature, constitute a point of reference for a group of theory-building and theory-testing scholars who wrote about the Presidency of the Council of the EU (Metcalf 1998; Elstrom and Jonson 2000; Schout and Vanhoonacker 2001; Elgström 2003; Tallberg 2006).

In this paper, I treat the leader primarily as an agent whose services are indispensable for the principals when the latter are experiencing critical collective action problems related to representation, decision-making, and/or third-party negotiation. The agent may exert structural leadership by translating his/her own material resources into bargaining leverage, entrepreneurial leadership by employing his/her negotiating skills to engineer beneficial agreements for the principal(s), and intellectual leadership by generating systems of thought that may shape the perspectives of his/her principals. At the same time, principal(s) control the agent either by defining *ex ante* the scope, legal instruments, and procedures available to the agent, or *ex post* oversight provisions (monitoring, rewarding, punishing) (Young 1991; Nicolaidis 2000; Kiewet and McCubbins 1991). We can encapsulate these three dimensions in terms of supply, demand, and control. Of concern in this paper are the first two dimensions: demand and supply. These dimensions magnify the agent's clout, whereas the third dimension (control) magnifies that of the principal. Moreover, in the first two dimensions, the agent's performance is crucial in determining his/her position vis-à-vis the principal, when the latter comes to exert *ex-post* the

mechanisms of control, most notably, the power of reappointment for a second or subsequent mandate.

The principal-agent theory has been applied with particular empirical focus to the Commission and the European Court of Justice (Pollack 1995). According to this theory, demand (monitoring compliance, solving problems of incomplete contracting, increasing the credibility and impartiality of regulation, and setting the legislative agenda) creates and shapes the institutions and their functions. In turn, the principal exerts checks on the agent through a repertoire of administrative and oversight measures (the requirement for transparency, greater legislation precision against drift, the comitology system of ‘police patrol,’ judicial review or citizen action, the sanctioning of agency shirking through budget retrenchment or the power to (re)appoint, and the revision of an agent’s mandate through treaty change are all prominent oversight measures). Alternatively, the agent can improve on his or her performance and enhance his or her reputation to counteract the principal’s control.

The literature on the Presidency of the Council of Ministers and the European Council has tackled only the first two dimensions of the principal-agent relationship (demand and supply), and, to some extent, the third (control) with particular focus on *ex-ante* institutional design (for a theoretical background see Fiorina and Shepsle 1989; Arild 1994). Jonas Tallberg, for instance, is one of the few scholars who engages in a serious empirical analysis of the Presidency’s leadership as an agent. According to Tallberg (2006), the Member States experienced collective action problems (failures in setting the agenda, negotiating decisions, and representing the body vis-à-vis third parties). It was this situation that led to a demand for delegation, and, in particular, to the creation of an institution that would deter a breakdown in the decision-making process. On the supply side, the chair performed its assigned functions by drawing on particular power resources, such as privileged information and/or procedural control, with the aim of enhancing efficiency and, ideally, improving the welfare of all parties in the bargaining process. Moreover, Tallberg (2006) dealt at length with the procedural constraints that affected the functional roles of the President, such as formal agenda-setting rules (with the close cooperation of the Commission) and formal decision rules (the infirming role of unanimity for the preferences of the President). The focus on *ex-ante* constraints that inhibited the power and freedom of the President represented an incursion into the third dimension: control.

The starting point of this essay is the Schout and Vanhoonacker’s (2006) contingency model and the conceptualization of the President of the Council in terms of the four roles he or she plays. These roles—that of an organizer, a broker, a political leader, and a national representative—serve as the dependent variables in Schout and Vanhoonacker’s model. The first three roles owe their genesis to Yukl’s (1998) typology of leadership (respectively, task oriented, group-oriented, and transformational leadership). The duties of an organizer include planning meetings, drafting agendas, and chairing meetings. The responsibilities of a broker include sounding out Member States, creating understanding, and identifying bargains. These two roles (organizer and broker) have been created primarily to prevent the three collective action failures (agenda-setting, brokerage, and representation). Hence, by focusing on them, the Presidency seeks to enhance organizational performance, achieve just outcomes for all group members, and pave the way to a coherent and common policy. In most cases, both demand and supply require the President to perform in these two roles. By casting his or herself in the third role (political or transformational leader), the President goes a step further to steer the deliberation and decision-making processes towards common/European long-term goals. On the other hand, as a national representative, the president takes a step back by endeavouring to

achieve or protect short-term national gains. Both the third and the fourth roles imply some degree of autonomy in the policy-making process.

In the group of external contingency factors that demand from the Presidency an investment in particular roles, Schout and Vanhoonacker (2006, Table 2, 1058- 1059) include the degree to which a topic has been explored (old versus new), the lack of trust in the chair, the presence of multiple brokerage (i.e. from another member of the Council or the Commission), the shadow of the future (negative repercussions or failure to act promptly), and the political sensitivity of a topic (both for the Council as a body). For instance, new topics may demand from the Presidency a greater engagement in all the four roles, while multiple brokerage may relieve the Presidency from an obligation to perform as an organizer, broker and/or political leader. The shadow of the future may bring a President to emphasize the first three roles (organizer, broker, and political leader) and forsake national gain. The lack of trust may force the President to contribute additional efforts in organization and brokerage as a demonstration of impartiality, but at the expense of political leadership or the defense of national interest. A sensitive issue leads the Presidency to invest in its roles as organizer, broker, as well as potentially in political leadership, while a non-sensitive issue, ironically, reinforces both the political leader's and national representative's roles.

In the group of internal contingency factors that compel the President to supply leadership (Schout and Vanhoonacker 2006, Table 3, 1060), the two authors include four variables: the importance of the topic for a chairing country, the commitment of senior management and politicians, the preparatory process, and the sensitivity (on an issue for settlement) among the coalition partners of a member-state government (Schout and Vanhoonacker 2006). The first three variables induce the President to advance all the four roles. A coalition government, on the other hand, may give rise to a race between partners, hence causing the incumbent to be cautious in the exercise of the first three roles (organizer, broker, transformational leader).

From a comparative perspective, the contingency theory represents a superior approach to the study of leadership. The literature outside the contingency approach tends to treat the two classes of variables separately. Roles or formal/informal rules, along with environmental factors, are always independent variables and are never brought together into an interdependency interaction. On the other hand, influence as a dependent variable has been narrowly conceptualized as national interest or prestige (Tallberg 2006; Elgström 2003; Bunse 2009).

### **Revisiting the Contingency Model**

The establishment of the office of the Permanent President has reconfigured the power relations in the EU. Hence, the contingency model must take stock of the reconfiguration of roles as well as of the new environmental factors ushered in by the provisions of the Lisbon Treaty. I created two tables based on those originally proposed by Schout and Vanhoonacker (2006) but considering the emergence of a Permanent President. The elements that have been transferred verbatim from the original tables have been highlighted in italics in Table 1 and Table 2 below.

In terms of dependent variable, the most significant modification in the contingency model is the disappearance of the national representative role. In the original tables, there were four roles—organizer, broker, transformational, and national. Since the Permanent Presidency does not represent national interests, in the new tables there are only three. This development brings the Schout and Vanhoonacker model back to the original typology in Yukl's 1998 study (task-oriented, group-oriented, and transformational).

In terms of independent variables, both the external (Table 1) and internal (Table 2) contingency factors must either reflect or incorporate the new structure and dynamics of inter-institutional relations. For instance, in the first box of table one, the divide between old and new issues does not lose its salience. This divide must, nevertheless, be redefined to consider the longer tenure of the new President. This, in turn, offers an opportunity to observe the transition of an issue from the realm of the unknown to the familiar, and the impact of this transition on the demand for roles. Variables such as the shadow of the future and issue sensitivity (the fourth and fifth boxes of the first column in Table 1) still maintain their relevance in the new reality. Indeed, the shadow of the future (the failure of agreeing on a particular course of action) still haunts the decision-making process, and issues that affect or are related to national interests and realities hardly disappear. The shadow of the future pressures the chair to be an effective organizer, a proactive mediator and, in extraordinary circumstances, presents him or her with an opportunity to steer the process toward new, unforeseen directions. Sensitive issues demand an investment in organisation and brokerage, but an attempt on the part of the chair to act autonomously by departing from the preferences of the actors is risky. The President may only take a lead away from short-term preferences when issues are of no consequence to the actors/principals.

Multiple brokerage as a variable fails to embrace a multidimensional institutional involvement that goes beyond the restricted membership of the European Council. In lieu of multiple brokerage, I introduce two variables: European Council leadership and non-European Council leadership (third box of the first column in Table 1). European Council leadership accounts for those situations in which all or some of its members initiate an agenda, propose initiatives, or offer solutions. Non-European Council leadership refers to a similar attitude by other institutions, most notably, the European Parliament. In terms of organization, brokerage and even leadership, an in-Council leadership initiative (from one or more members) may simultaneously decrease and increase the demand for action on the part of the Permanent President. The Permanent President's task-mastering and negotiating skills are required to create the environment for an agreement, and intellectual leadership is a premise for reshaping the initiatives of the other members. However, since the content of the negotiations has been determined by one or more of the voting members, the President will not engage in drafting from the scratch and may refuse to impose his own ideas.

Moreover, rather than pointing at the lack of trust in the chair (a phenomenon that usually characterizes a political context in which the President is also one of the voting members in the forum), I will emphasize the presence of trust (second box of the first column in Table 1), a phenomenon that consolidates when there is an expectation of impartial leadership, an expectation that the constitutional design of the Permanent Presidency embodies. Trust contributes to a lesser demand on the chair as an organizer, but skill and performance as an organizer enhance trust. Trust also requires less investment on the part of the President to demonstrate that he or she is a honest broker since he/she already stands above the Parties. Instances of heavy distrust among the members of the Council may, on the other hand, increase such a demand. Trust may also encourage the chair to craft long-term integration-friendly solutions.

The new political context also calls for a revision of what is understood as internal contingency factors (see Table 2). Now that the President is not the representative of a member-state, the environmental factors underpinning the supply of leadership are not linked anymore to the domestic political scene, but rather to the prerogatives of the Brussels' office, the quality of inter-institutional coordination, the perspective of its occupier on the political situation, and

his/her perceived position in the policy-making process. Two of the four internal contingency factors in the Schout and Vanhoonacker model (the importance of a topic for a chairing country and preparation, the first and third boxes of the column one in Table 2) may still be applicable to the work of the Permanent President office. The second variable (commitments of senior managers and politicians, the second box of the column one in Table 2) encapsulates a specific situation of the pre-Lisbon era, the availability of a national administration and political ministry to the management of the Council of Ministers. I will rename the variable by emphasizing the role of the Permanent President and the General Secretariat. When the President contemplates a topic to be important, he/she will invest in organisation and negotiation. However, the president's predisposition to assert leadership (the transformational role) may be countered by the strength of the national interests. Likewise, the seriousness of the commitment of the Presidency and its team will improve the supply of leadership on the organizational and negotiation fronts, but it may result in an ambiguous behaviour of the President with respect to the third (transformational) role. The President may prepare and argue policies that have been not envisaged, but may be accepted by the member-states, or otherwise limit himself to conciliating the positions of the participants in the forum). The third variable (preparation) contributes to an improved performance in all the three roles. The fourth variable (sensitivity between coalition partners, the fourth box of the column one in Table 2) as a reference to the composition of a national government also becomes irrelevant. In its place, I have traced a new contingency factor, the relationship of the Permanent President to the institutions with which it shares agenda-setting duties, the Commission and the rotating Presidency of the Council of Ministers (an element that Tallberg (2006) listed as a constraint on the President). Moreover, I discard sensitivity as a notion to emphasize discord (disagreement) or harmony (agreement) between the Permanent President, the rotating Presidency, and the President of the Commission. Disagreements among the Presidents affect negatively the supply of leadership in the three roles, while agreement may not only enhance the performance of the President as an organizer and broker, but it may also constitute a premise for transformational leadership.

**Table 1. External Contingency Factors with the Permanent President**

	<i>Organizer</i>	<i>Brokerage</i>	<i>Transformational</i>	<i>National</i>
<b>1. Nature of Topic</b> (a) <i>Old/transparent topic and newcomer</i>	+ or - <i>Issues and positions are already mapped out, but newcomer has to become familiar with them in order to develop his approach</i>	- <i>Well known positions facilitate formulation of bargains</i>	- or + <i>Little room for novel solutions, but an impartial newcomer may, through power and expertise, offer creative novel solutions.</i>	N/A
(b) <i>New topic/extraordinary circumstances and newcomer</i>	+ <i>Need to study key issues and alternatives and know all national positions</i>	+ <i>Need to identify possible bargains</i>	+ <i>Scope for steering debates away from short-term interests</i>	N/A
<b>2. Trust</b>	+	-/ +	+	N/A

	<i>Trust and respect in the institution may relieve the chair from having to spend additional energies as an organiser</i>	No additional care is needed to prove that broker is transparent and impartial, but in bargaining contexts characterized by distrust the demand for brokerage increases.	Trust encourages activism. Activism, on the other hand, in favour of a solution in Europe's long-term interest may reinforce trust.	
<b>3. Alternative Supply of Leadership</b>				N/A
(a) European Council	-/+ European Council members and <i>other institutions</i> outside the Council may <i>play a role in mapping out issues</i> . Good organization may be needed to create the premises for an alternative provision of leadership.	-/ + Other European Council members <i>compensate for the lack of brokerage by the chair</i> . Alternatively, superior brokerage skills may be needed to create trust and make acceptable an alternative provision of leadership within the Council.	-/ + Other members of the Council <i>may put the debate in a long-term/European perspective</i> or the President may use the ideas and preferences as a starting point to provide leadership	
(a) Non-European Council			+ or - Other institutions outside the Council may encourage the President or other members of the Council to put the issues in a long-term/European perspective	
<b>4. Shadow of the future</b>	+ <i>Efficient use of valuable time is of the essence</i> .	+ <i>Pressure to reach agreement leads to a high demand for brokerage</i>	+ or - Political leadership will be needed with respect to important issues and in extraordinary, uncertain historical circumstances.	N/A
<b>5. Political sensitivity</b>				N/A
(a) Non-sensitive issue	- <i>It will be easy to map out various positions</i> .	- <i>Lack of sensitivity makes it easier to find a compromise</i> .	+ Countries are more willing to move away from their short-term national interests. Hence, there is scope for transformational leadership.	
(b) Sensitive issue	+ <i>Bad organization will</i>	+ <i>Creating a good</i>	+ or - <i>Recasting the debate</i>	N/A



	exacerbate the quarreling among Member States.	<i>atmosphere and compromise-building environment are crucial.</i>	<i>towards long-term European interests may be possible but difficult.</i>	
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**Source:** The italicized parts of the table are taken verbatim from Schout and Vanhoonacker (2006, 1058-1059, Table 2), reproduced here with permission from the publisher of the *Journal of Common Market Studies*, John Wiley & Sons. The text in regular font represents author's own contribution.

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### The Sovereign Debt Crisis and the Demand for Leadership

The economic crisis in the European Union was an unprecedented and multifaceted phenomenon. In its early stages, its main feature was a dramatic shortage of capital in the national banking systems of some EU countries. By early 2010, the financial crisis became a currency crisis, when several Eurozone countries in the southern periphery (most notably, Greece) experienced an escalation of their public debts in proportion to the size and growth of their economies. (For more details, see the Euractiv and European Voice reports of 2009.)

The office of the Permanent President became operational in January 2010, when the idea of crisis was being identified with a cross-national public deficit problem threatening the Eurozone. A set of new issues emerged (see Table 1), both short-term (the Greek debt and aid) and long-term (economic governance measures and principles to invigorate the Eurozone), which transferred the locus of the decision-making process to the European Council. The shadow of the future represented an important pressure factor on the members of the Council to deal with these issues effectively. The crisis threatened the institutions and foundations of the European integration. The traditional policy-making and decision-making channels had to adjust to the new situation.

A consequence of these developments was the demand on the Permanent President to serve as an informed agenda-setter, especially on long-term issues. In March 2010, the European Task Force on Economic Governance<sup>1</sup> was set up for this purpose under the European Council President's chairmanship and offered Van Rompuy an opportunity to assert himself as a leader, neutralize or set apart short-term or isolated concerns, and drive the debate toward long-term goals. Even before the second half of 2010, the work of the European Task Force on Economic Governance (ETFEG) was setting the agenda for the European Council (Taylor 2010a). Again, in the months before the June 2012 Summit, President Van Rompuy, in cooperation with the President of the European Commission, José Manuel Barroso, the Eurogroup Chair Jean-Claude Juncker, and the President of the European Central Bank, Dr. Mario Draghi, prepared an interim report on ways to deepen integration in the Eurozone (European Council 2012a). The June 2012 Summit deliberated on this document entitled "Toward a Genuine Economic and Fiscal Union,"

<sup>1</sup> The European Task Force on the European Governance was created by the European Council with the objective of establishing an improved crisis resolution framework and better budgetary discipline, exploring all options to reinforce the legal framework. It was a joint cooperation of Van Rompuy as a chair with the Commission, the finance ministers of the Member States, the rotating presidency and the ECB. It was composed of the finance ministers of the 27 Member States with Van Rompuy as a chair. It had to present a final report to the Council before the end of 2010.

and instructed the four institutional leaders to continue their work until the December Summit (Euractiv 2012a; The Economist 2012a; European Council 2012b). According to Richard Corbett (2011b), similar formations contribute to the strengthening of the supranational features of the EU by widening the areas of common policy-making and empowering the Union's institutions.

The ETFEG proposed ground-breaking policies, such as the examination of the national draft budgets by the Commission, concrete enforceable sanctions for states running excessive deficits, and measures to reduce the uneven levels of competitiveness across the EU members. The first of these three proposals was submitted to the task force by the Commission, and the second was of particular concern to Germany. Van Rompuy himself authored the daring proposal of financing some of the Eurozone debt through a joint bond issuance system, a move strongly opposed by the German government. Yet, along with rewriting the rulebook (which was a joint effort of all participants), the skills of the Permanent President as chairman of both the Task Force and the European Council were demanded in brokerage and coordination within and across the two institutions. For instance, some Member States (the UK, France, the Netherlands, and Denmark) questioned the authority of the Commission on national budgetary policy, while Germany went so far as to request an exclusive competence of the European Central Bank in the matter. In this vein, Member States also disagreed over the automaticity and severity of the sanctions. Mid-size countries like Austria, Greece, and Spain opposed the suspension of the EU funds, while Germany had even argued for the suspension of the voting rights in the Council. A number of other countries (Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Sweden) did not want these reforms to affect their pension schemes.

The final report of the Task Force, nevertheless, preserved the authority of the Commission without violating the legislating prerogatives of the national parliaments in budgetary politics; and it favored the suspension of funds as a sanction without infringing upon voting rights (Brunsden 2010a; Taylor 2010b; Brunsden 2010b; Brand 2010a; Brunsden 2010c). Much like ETFEG, the report "Toward a Genuine Economic and Fiscal Union" posited the issue of common debt as a non-immediate (medium-term) measure, but it went further to recommend the creation of a single banking supervision and a common deposit insurance scheme coupled with a more integrated budgetary decision-making process. In its present state, the report not only attempts a balance between the French interests opposed to surrendering national sovereignty, and the German interests hostile to any scheme of debt-sharing (Cohen-Setton and Saha 2012), but it also devises a roadmap and vision for the future of European economic integration (European Council 2012b).

Trust was an important institution in the demand for leadership. The final provisions of the Lisbon Treaty on the President had already allayed the fears of the small Member States about a powerful President at the service of the largest and well-resourced members. Additionally, the appointment of Van Rompuy, the citizen of a small Member State and an experienced negotiator, conveyed an image of impartial negotiator. This created a demand on him both as an organizer and broker. The trust and reputation that he enjoyed among the members of the European Council, the highest decision-making organ of the EU, contributed to his empowerment beyond the Lisbon Treaty. Indeed, as chairman of the taskforce, as well as of the meetings of the seventeen (the leaders of the countries using the Euro), he managed to eclipse the official agenda-setter (the Commission) and increased his clout vis-à-vis Jean-Claude Juncker, the President of the Eurogroup (Brunsden 2010d).

Important leadership rivals to the President among the members of the European Council were the German highest officeholders (Chancellor Angela Merkel and the German Finance

Minister Wolfgang Schäuble) and, to a lesser extent, the French (Nicolas Sarkozy and Christine Lagarde). Domestic interests, as well as ideology, underpinned the French and German activism. Schäuble's nine point plan would propose the suspension of the voting rights for states breaching the rules of fiscal discipline. In early February 2011, Merkel and Sarkozy proposed a "competitiveness pact" that envisaged the scrapping of wage indexation to prices, the writing of debt limits into the national constitutions, and a common corporate tax. Although the pact had apparently evolved from the conclusions of the Task Force, the disagreement and distrust that it generated among Council members contributed to the increase in demand for impartial leadership. The Schäuble plan became part of the submissions at the Task Force, and, as such, it underwent significant modification. In response to the Merkel and Sarkozy plan, Van Rompuy and Barroso tabled an alternative pact, which called for 'improved' indexation rather than scrapping the idea, while leaving the choice of legal instruments for entrenching debt limits to the discretion of each Member State (Taylor 2010b; Brand 2011a; Brand 2011b; Taylor 2011a; Taylor 2011b; Euobserver 2011). Yet, at other times, the President had to take a step back and allow for single initiatives from the most powerful of the Council members. Only four Member States (the UK, Sweden, Hungary, the Czech Republic) opted out of the Merkel-initiated Europlus pact, in early 2011 (Euractiv 2011a). According to Bayrich (2010), in late 2010, the German-led camp which emphasized the primacy of strict rules and automatic sanctions was exceptionally strong. It included Austria, the Netherlands, the non-Euro Nordic countries, and most of the Central and Eastern European Member States.

Outside the European Council and the Task Force, the European Parliament was an active leadership provider. The Lisbon Treaty upgraded the European Parliament into a powerful institution both as a co-legislator with the Council of Ministers and as an account-seeker. Indeed, the obligation of the Commission and European Council President to report to the EP created an auspicious circumstance for the latter to exert influence in EU decision-making. The focus of the European Parliament was, initially, on Europe 2020, a Commission-managed program aimed at promoting economic growth and employment. However, when the epicenter of policy-making moved to fora such as the Task Force and the European Council, the European Parliament adjusted its priorities to the themes that were being discussed there. The Parliament argued in line with the Permanent President and the Commission for tougher punishments against countries with excessive deficits and a closer economic union, including the establishment of a common financial transaction tax and Eurobonds. However, for most of his first term in office, the Permanent President paid lip service to the EP, and the only contact with the latter were (and are) those obligatory plenary sessions in which he reported on the outcome of the European Council. Only the insistence of a number of MEPs led, by the end of 2011, to the inclusion of the European Parliament representatives in the working group in charge of drafting a new fiscal Treaty (Wishart 2011a; Brand 2011c; Brand 2011d; Brand 2011e; Taylor 2011c; Brand 2011f; Brand 2011g; EuropeanVoice 2011a; Wishart 2011b).

The sensitivity of issues was also an important factor in the quest for leadership at the Council level. Each country or group of countries came to the negotiating table with particular experiences and fears, which the sense of uncertainty engendered by the crisis further accentuated. For instance, Angela Merkel's vehement opposition to German participation in a prospective aid package to Greece, along with her insistence on the IMF's involvement, had roots in the frustration with the ineffectiveness of the post-unification financial and monetary assistance to the former Länder of East Germany. The final negotiated compromise was the

product of Van Rompuy's intensive brokerage work at the summitry level (as much as of an initial agreement between Merkel and Sarkozy) and left Germany as the largest contributor but assured the participation of all members and the IMF. On the other hand, this package committed Greece to austerity measures, a point that the Permanent President did not relent from iterating in front of the Greek Prime Ministers (George Papandreou and Lucas Papademos) and to the Greek public (Brand and Taylor 2010a; Brunsden 2010e; Brunsden 2010f; Taylor 2011d).

Overall, throughout 2010 and 2011, fiscal discipline appeared as a keyword in the Permanent President's engagement as a problem-solver, and this is what Germany wanted in exchange. The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (Euractiv 2011b) was a combination of an agreed French-German vision of economic governance, as well as of the input and vision of the President. This input was valuable in creating some distance between the final text of the Treaty and the French-German agreement in order to protect the interests and preferences of the other 25 members. On the other hand, the vehement opposition of the German Government to the Eurobonds and the mutualisation of debt compelled the President to a cautious approach that prevented him from boldly prioritizing this item in the decision-making agenda (Grant 2012).

The austerity versus growth debate, on the other hand, became particularly salient between December 2011 and March 2012 when unemployment in Greece, Spain, and France soared. The French government, the Danish Presidency of the Council, and the Commission raised the issue of growth and jobs, and Van Rompuy tabled it for the informal meeting of January 30th during which the heads of states and governments agreed on a joint statement about targets and measures on both fronts. Moreover, in February 2012, the Prime Minister of the UK and the heads of state and governments of eleven member-states addressed a joint letter to Van Rompuy and Barroso. The letter advocated a new approach to the crisis-related problems with particular emphasis on strengthening the single market (in the digital, research and energy areas) and promoting well-functioning labour markets capable of creating employment. Van Rompuy insisted, against resistance from the Commission, on having the ideas set out in the letter become part of the March 2012 European Council Conclusions (Ludlow, 2012. UK government document 2011)

After Francois Hollande's victory in the French Presidential elections, growth-oriented leadership received a new impetus. The new French President passionately advocated, during the campaign and after his election, a project of growth to counteract the focus on austerity that characterized the approach of his predecessor. An effect of the leftward change of guard in Paris was that of isolating the German Chancellor and undercutting her effectiveness as a leader and trend-setter, especially at a time when the anti-austerity rhetoric had permeated the public spheres of some of the Northern countries such as the Netherlands and Finland. This context created a demand on the European Council President to continue charting the growth-friendly course that had begun with the January informal meeting. In the months before the June Summit, Van Rompuy sought to forge an agreement on a Commission-initiated and France-backed growth pact that included the employment of 120 billion euros, a mixed package of European Investment Bank capital, structural funds, and project bonds. It was the crown achievement of the June 2012 Summit (Euractiv 2012b; Euractiv 2012c; Euractiv 2012d; The Economist 2012b; Spiegel 2012).

According to the expectations of the contingency model, the sensitivity of issues requires the Permanent President to invest heavily in organization and brokerage. In this case study, the sensitivity of issues for particular Member States interacted with leadership supply (initiatives or

programmatic targets) on the part of the rotating Presidency and the Commission. The Permanent President’s input was the only venue for imbedding these issues into the deliberative process at the European Council to determine their position in the decision-making process.

In sum, almost all of the contingency factors (except for the in and out of Council alternative leadership) on the demand side required the President to act as an outstanding task-master. Among these contingency factors, trust, the shadow of the future, issue sensitivity and in-Council alternative leadership compelled the President to act as a broker. Almost all contingency factors (and issue sensitivity to a lesser extent than the others) encouraged the President to act as a transformative leader.

**Table 2. Internal Contingency Factors with the Permanent President**

	<i>Organizer</i>	<i>Brokerage</i>	<i>Transformational</i>	<i>National</i>
<b>1. Important topic for the President /Importance of the Institution</b>	+ <i>The presidency will invest in the preparations.</i>	+ <i>The presidency will formulate compromises to move things forward. The presidency will seek to ensure coherence across Member States and convey an atmosphere of agreement when addressing third parties.</i>	+/- <i>The presidency will be motivated to argue its position in European terms, but, if the issue is important because it is delicate with respect to the preferences of the members, the President may also take a step back and refuse to go beyond the major position of the parties.</i>	N/A
<b>2. Commitments of the President and its team</b>	+ <i>Commitment will positively affect the development of a strategy to move forward.</i>	+ <i>Commitment will promote brokerage.</i>	+/- <i>The presidency will be motivated to argue his position in European terms, but may also be trying to achieve a balance between differing points of view or selling his own view.</i>	N/A
<b>3. Preparations</b>	+ <i>If well prepared, the efficiency of meetings will increase. Competence is a must.</i>	+ <i>Thorough preparations increase the chances of brokerage being supplied. Competence and experience as negotiator is a must.</i>	+ <i>Preparations are a precondition for the supply of transformational leadership.</i>	N/A
<b>4. Council-Commission cooperation</b>	-/+ <i>Internal fights create chaos during the preparations. Harmony increases efficiency.</i>	-/+ <i>Disagreements negatively affect the supply of brokerage. Harmony facilitates brokerage.</i>	-/+ <i>Cooperation facilitates the supply of transformative leadership on the part of the President.</i>	N/A

**Source:** The italicized parts of the table are taken verbatim from Schout and Vanhoonacker (2006, 1060, Table 3), reproduced here with permission from the publisher of the *Journal of Common Market Studies*, John Wiley & Sons. The text in regular font represents author's own contribution.

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## The Supply of Leadership

In a speech before the think tank Notre Europe, Van Rompuy praised the flexibility of the European Council. By flexibility, he meant the availability and use of the institution as a problem-solver in circumstances when treaties could not articulate a clear remedy. In this context, the economic crisis represented an opportunity for the President to highlight the profile and enhance the power of his office within the European Union's institutional framework (Euractiv 2010a).

By the first trimester of 2010, the Permanent President had shown incredible skill as an organizer by coordinating the efforts of the technocratic and political institutions of the EU (the Euro Group, the ECB, and Commission Presidents) with those of the more resourceful Member States (Germany and France). It was an innovative approach to problem-solving that went beyond the traditional preparatory work for the Council meetings. In brokerage, at the very beginning of his first mandate, Van Rompuy was particularly active in those negotiations among Member States that purported the strengthening of the European Council's role as a central economic policy-maker. His activism in preparing the European Council and Eurozone meetings on the Greek aid, along with his preparation and chairing of the Task Force on Economic Governance, were instrumental to effective decision-making. In spite of isolated instances of criticism (Taylor 2010c), his success in organization and brokerage at the preparatory stage was significant. The six meetings of the European Task Force on Economic Governance in a five month period, the intensity and frequency of the summits of the European Council, the creation of the new summit of the Eurozone leaders, and the important agreements<sup>2</sup> reached in these fora were ambitious and important achievements for a newcomer in the political scene (Euractiv 2010b; Euractiv 2010c; Brunsden 2010g; European Voice 2010; Taylor 2010d; Taylor 2010e; Fleming 2010; Brunsden 2010b; Wishart 2011c; Wishart 2011d).

More importantly, the President's commitment to preserve and enhance his reputation as an impartial leader is not the only element that characterizes his relationship to the decision-making process. In the Notre Europe speech, Van Rompuy outlined his vision of Europe as an integrated polity that competes with the outside world. This pro-integration perspective is predominant in his treatment of crisis-related issues and dilemmas (Euractiv 2010a). In terms of expertise and experience, Van Rompuy is a trained economist. Moreover, he served several times as Prime

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<sup>2</sup> The putting together and activation of a financial package for Greece (May 2010), the agreement on budget peer reviewing (June 2010), the establishment of the European Financial Stability Facility, the agreement on sanctions for states with high debt and deficit (September 2010), the acceptance of the Barroso-Van Rompuy pact of competitiveness (March 2011), a new fiscal Treaty were important achievements for the President (see Euractiv in the years 2010 and 2011).

Minister in a fragile multinational country such as Belgium. Thus, he is well-suited to chair a body such as the European Council, especially, in an institutional life context affected by an economic crisis (Barber 2010; Howorth 2011; Puetter 2012).

The rules of procedure require the Permanent President to cooperate with the Commission and the rotating Presidency in the preparation of European Council summits. One of the consequences of the post-Lisbon era is the overall marginalization of the rotating Presidency. In the debate on the economic crisis, only the Hungarian Presidency came to the spotlight when negotiating with the European Parliament as a co-legislator on the debt-and-deficit monitoring legislation. However, the other Presidencies were almost invisible as much as the General Affairs Council was during the major developments (Wishart 2011e; Euobserver 2010a; Euractiv 2010d; Euractiv 2010e).

The duo Permanent Presidency–Commission has dominated the preparation of the meetings of the European Council, but the position of the two institutions is asymmetric. The official agenda-setter in the Community method (the Commission) is increasingly losing power to the Permanent President, and such loss owes both to a combination of historical institutional developments in the past twenty years as well as to the more recent establishment of the European Council as the central decision-maker. Yet, in spite of instances of competition and conflict, agreement and cooperation prevails. For instance, the Economic and Monetary Affairs Commissioner's proposals on tighter economic surveillance set the stage for one of the most important Eurozone leaders meetings (Brunsden 2010a; Brunsden 2010e; Brand 2010b). The Van Rompuy–Barroso economic plan (the alternative to the Merkel-Sarkozy competitiveness pact) also represented a formidable example of teamwork, redrafted several times through negotiations with all members of the Council (Desmon 2011; Euroobserver 2011a).

Overall, dialogue and agreement on a number of issues, such as the pre-eminence of debt control, the elements of the European Stability Mechanism, as well as growth and job creation, contribute to coherence and clarity, while breaking a new path in economic governance (Taylor 2010f; Rankin 2011; Wishart 2011f; Vogel, King and Taylor 2011). To ensure the persistence of this dialogue, the Permanent President schedules regular weekly meetings (every Monday) with the Commission President (Euractiv 2010a). Moreover, formal cooperation allows the European Council President to draw on the larger resources of the Commission's departments. It is this atmosphere that generates a demand on the Permanent President for crisis management leadership (De Schoutheete 2012; Taylor 2011a; Brand 2011h; Taylor 2011b).

Around the nucleus European Council President–Commission President, a core leadership group has emerged with the additional participation of the President of the Eurogroup, the President of the European Central Bank, the German Chancellor, and the French President (European Voice 2011b). During the current crisis, they have converged on themes such as policing the finances of the sovereign debtors, while diverging on more enduring reforms (Wishart 2011g). The first four members of this nucleus constitute now in a working group that is preparing a report on the future of the economic and monetary union, a premise for inter-institutional convergence. In 2012, the first four members of this nucleus prepared a report on the future of the economic and monetary union, thus setting a new precedent of inter-institutional forum. Yet, whether the group of four will become an autonomous cluster of influence (at some distance from the Member State leaders) is a probability that cannot be assessed at present.

On the supply side, this case study tells us that all variables contribute equally to the enhancement of all the three roles, given also that topic importance, commitment and preparation are sequences in the policy-making process, and therefore, they have to move in the same direction.

### **Matching Supply and Demand (D=S)**

The main concern of the contingency model authors (Schout and Vanhoonacker 2006) is the matching of demand and supply. In Schout and Vanhoonacker's study of the French Presidency's handling of the 2000 Nice Intergovernmental Conference, demand met supply only in two of the four issues (flexibility and the qualified majority voting) (see Schout and Vanhoonacker 2006, Tables 2 and 3, 1058-1060). Where, on the demand side, topics were old, issues were sensitive, and the quest for brokerage high, and where on the supply side, organisation was outstanding, and the Presidency and a number of other brokers were available, the demand met supply. Where, on the demand side, an old unresolved topic combined with a lack of trust in the chair and a quest for leadership, while, on the supply side, organisation, brokerage and leadership were poor, demand did not match supply. For instance, this dynamic characterized the leader's deliberations in Nice about the post-enlargement size and composition of the Commission. National interests conditioned or impeded the fulfillment of the other three roles (Schout and Vanhoonacker 2006, 1070).

This study of the Permanent Presidency indicates a congruence between supply and demand (see Tables 1 and 2 above). On the demand side, the boundary between new and old issues does not seem to be relevant. As long as a phenomenon is persistent and multifaceted, long-term problems arise, which are addressed piecemeal through the effective engagement of all institutional actors and resources. For instance, the Task Force lasted from March to October 2010 and was only the first spark in a series of proposals and counterproposals that purported to further articulate the ideas of the TFEU. The competitiveness pact, the creation and expansion of the European Stability Mechanism, a new fiscal Treaty, and other proposals were, in part, an outgrowth of the Task Force conclusions. However, each of them had to be worked out in details and enshrined in a legal instrument of its own. The Van Rompuy-Barroso-Juncker-Draghi working group, by responding to the evolving economic conditions of the Eurozone, took these acts one step further into the future. Even more so, a substantial intellectual debate between governments that favoured austerity and those that petitioned for a program of growth increased the demand for guidance on the part of those *super partes* institutions like the post-Lisbon President of the European Council.

The crisis is a sensitive issue for all actors, and trust seems to increase demand as much as the lack of it in the original Schout and Vanhoonacker model. When there is an alternative supply of leadership, I speculated that this may either decrease or increase the demand for organization, brokerage and transformation. The empirical evidence showed that the demand for leadership on the Permanent President is high, and he or she may choose to respond or not to the institutions and/or states that offer to provide leadership. He/she is likely to respond with his or her own alternative set of ideas when an initiative from a member of the European Council is premised on national interests, on a particular ideological perspective or on a restricted agreement that is unlikely to lead to a broader consensus.



On the supply side, the Permanent President has the maximum interest in, and commitment to, the resolution of the problems and dilemmas that the crisis creates. The prestige of the Permanent Presidency as an institution is at stake, and this concern is paramount for the incumbent, far more than it was for the national Presidents/Prime Ministers before the entry into force of the Lisbon Treaty. This is widely reflected in the preparatory process. In addition, the President possesses the expertise and experience to address both the intricacies of governance and the pluralism of the Council as a body.

The last category in the internal contingency table, cooperation with the Commission is also a grey area in terms of supply. Supply increases only if there is cooperation and agreement, but the opposite happens, when there is conflict. The empirical evidence, including the stipulations in the Rules of Procedures, shows a tendency to cooperation, and that the latter considerably improves supply.

Moreover, the developments during the crisis show a tendency for the Permanent President to be a transformational leader, that is to pioneer long-term change in a European pro-integrationist sense. This willingness to lead owes to the extraordinary circumstances rather than to the constitutional position of the office or the personality of the incumbent.

### **Concluding Remarks**

This paper found a match between demand and supply in the two-year span covered by the analysis. Obviously, this is only one instance in decision-making, an extraordinary moment of crisis. An ordinary moment may suggest other dynamics. It is still early to endorse an argument in favour of a harmonious relationship between supply and demand in a European Council chaired by a Permanent President. The pathologies that characterized the Member State Presidency may reappear. If impartiality and trust associated with the supranationalization of the office persist, there will always be demand for leadership, especially in the course of difficult negotiations. A concern with reputation and the predominance of collegiality (in the relations with the Commission and the rotating Presidency) will improve supply. If, on the other hand, a number of the Council members (small members, non-Euro or Central Eastern European governments) will distrust the Presidency, any activism on the part of the Presidency would be challenged and discredited.

In terms of the principal-agent relationship, a congruence between demand and supply is likely to necessitate less effort to invent, write down and employ *ex-post* measures to control the agent. In part, this is because, *ex-ante*, the European Council has created an office with few resources and well-defined tasks (little discretion and the requirement for inter-institutional cooperation) that somehow obviates the need of preventing the freedom of the agent *ex-post* through, for instance, budget retrenchment. Moreover, the European Council can remove or reappoint him or her within a shorter time period. Higher demand for leadership and better performance encourages the principal to go the other way and increase, at particular times, the budget and/or the power of the Permanent President by specifying new tasks (as it did with the creation of the Special Task Force). The demand, at this particular moment, is determined by a preference on the part of the principals for problem-solving given the exceptionality and unprecedented nature of the phenomena, with the proviso that solutions satisfy all or most of the principals. Performance is determined by an effort on the part of the President to make the best of its resources and offer an intellectual/entrepreneurial guidance on the future of the integration process, conscious that he is an agent for all the members of the Council. As a result, the

principal (the Council as a body) shows little or no concern about the agent becoming autonomous and adopting a transformative approach to policy-making.

In addition, a closer fit between demand and supply expressed through the kind of supervision that the principals exert on the President (i.e. a tradition of regular instructions, the definition of the issues he or she must work on between the Intergovernmental Conferences or alternative proposals by the members of the Council) reduces the repertoire of *ex-post* measures by invalidating, for instance, procedures such Council-initiated action to the European Court of Justice. Alternatively, citizens' action, although a remote probability in the present EU, will likely occur outside the demand/supply relationship between the European Council and the President.

On the other hand, the mismatch between demand and supply typical of a number of instances during the rotating Presidency, further accentuated by the segmentation of the political process in time and it was one of the causes behind the attempts to reform the office, especially in the decade preceding the coming into force of the Lisbon Treaty. In the hypothetical case of a systematic disruption between demand and supply in the relationship between the Permanent President and the European Council, the Member States may react to alter the rules of procedure. This means that they may revise the agent's mandate if they perceive that, for instance, the cooperation between the Commission and Permanent President may drift away from the general direction set out by the heads of states and governments in the European Council. This is even more likely if the Permanent President and the Commission seek to shape the approach of the Council (that is, shape demand through supply). In times of ordinary politics, the Member States may want the President to perform predominantly task-oriented duties. In instances of difficult negotiations in the course of ordinary decision-making, the Member States may request the President to engage in group-oriented duties, but they may not wish or desire the President to provide a revolutionary impetus on his or her own initiative.

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