PERSONAL VIEW

Commission Impossible

Marco Becht, Mathias Dewatripont and Philippe Weil argue that the European Commission must take a leaf from the corporate book and refocus on its core role

Rising star: Romano Prodi will head the EU Commission Reuter

With his confirmation as the next president of the European Commission, Romano Prodi will soon be heading the board of Europe's most visible and most controversial institution.

Europeans will be reassured by the appointment of the former Italian prime minister. But they still face the scary picture of a Commission Impossible that tries to both formulate and implement an ambitious agenda with an organisational structure ill-suited to the job.

Size in itself is not the Commission's problem. its governance is: to fix the Commission, it is sufficient to examine the recent experience of the corporate world. This will demonstrate that there is a way to reform the Commission to better serve the interests of European citizens.

The 1990s have shown that conglomerates run into trouble not because they are big. Rather, lack of transparency and ill-defined objectives have been the problem. They prevent effective monitoring, and foster individual irresponsibility. As long as conglomerates were shielded from product and capital market competition, they could survive without having to tackle their weaknesses.

But worldwide deregulation and the push for shareholder value have forced conglomerates to restructure. Instead of becoming smaller, most of them have chosen to focus their businesses more sharply, and have become more accountable, sometimes with the help of a new head. Large corporations realise that size itself is not the enemy: lack of focus is.

Eurosceptics, who rejoice over the Commission's current travails, would like us to be oblivious to what has happened in the corporate world. They appear to believe that smaller is always better, that a lesser Europe will be a better Europe. But the lessons of the corporate experience should be applied to the Commission.

Recent research in political science and in economics, meanwhile, tells a sad story that applies to both corporate and federal governance. Multiple missions can lead to a lack of transparency and to closed-door compromises. This stifles initiative and action. Generalists are hired where specialists are needed – and loyalty to bosses and patrons becomes more important than commitment to the job in hand. Collective responsibility blurs accountability by serving as a shield for board members (or commissioners) who have breached their fiduciary duties.

Thus, the Commission suffers from the conglomerate curse. Its main line of business is to be an advocate for Europe and its institutions. Yet, it has increasingly absorbed itself in peripheral management duties. Indeed, the specially-commissioned report on allegations of fraud, nepotism and mismanagement within the Commission – the release of which prompted the mass resignation in mid-March of its 20-member executive – states that the Commission has strayed from its intended course. "Starting from the early 1990s," says the report, "the Commission has seen its management responsibilities increase substantially. It has been transformed from an institution which devises and proposes policy into one which implements policy."

To maximise citizen value, the Commission should avoid fuzzy missions. It should focus on advancing new ideas, and on implementing new federal programmes that originate from the Council of Ministers or the European Parliament. The management of well established European policies should now be spun off into independent, but democratically accountable. European agencies (with transparent and meritocratic appointments subject to parliamentary approval). A European Competition Agency or a European Financial Regulation Agency would, for example, offer a better guarantee of service – because more sharply focused – to the public than an unreformed Commission.

Europe has already followed the independent agency route with the creation of a European Central Bank. The key advantage of the ECB is its specialisation in the conduct of monetary policy, rather than its independence or anti-inflation bias. Indeed, the US Fed, with its markedly higher parliamentary accountability and its greater attention to growth, seems to serve its macroeconomic duties as well, if not better, than the ECB. Nobody disputes that Europe's monetary policy is the job of a Central Bank, rather than the Commission. The same logic should be applied, with democratic safeguards, to other policies managed by the Commission or, maybe more importantly, to areas in need of greater federal competence.

The current Commission, with its many missions, has perversely become an obstacle to a more integrated Europe. In its current organisational state, it is unlikely that critical member states will entrust the Commission with further executive powers. The need for a unique European securities regulator is clear to many observers. However, if member states entrusted this function to the current Commission, European bourses would probably relocate outside the EU. In the US, the Securities and Exchange Commission is a separate agency, and one of the most highly respected regulators in the world. Its mission is prominently displayed on its website home page: "We are the investor's advocate".

Because of globalisation, Europeans need a more, not a less integrated Europe. But they demand institutions that maximise the value of Europe in the eyes of its citizens. A Commission that refocuses on its essential role as Europe's advocate, and devolves the management of policies to specialised and better-qualified agencies, is what they deserve.

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