

‘Best Practices’ in EU Governance: Lessons from Corporate Governance
 (in English)

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Abstract

How can we *efficiently* govern the European Union? Are there the 'best practices' for EU governance similar to the 'best practices' in corporate governance? Recent financial collapse in Greece has shown information asymmetry of the pre-accession period, a familiar problem in economic analysis of contracts. The properly designed EU gives correct incentives towards parties to reveal their preferences and relevant information, which otherwise may not have been disclosed. Corporate governance solves this problem of information asymmetry by differentiating the code into the *default* and *mandatory* rules. Opting-out from the default rules is often cheap; parties have incentives to reveal their preferences and the relevant information in order to reach a modified agreement.

This study, therefore, analyses *efficiency* of EU policies through (1) incentive-giving mechanisms to solve information asymmetry, (2) cost-benefit analyses on both static transaction and dynamic transition, and (3) governance strategies to solve multi-layer principal-agent problems. It aims to establish the 'best practices' for EU governance, and international organisations management at large. As the 'best practices' – especially from the dynamic efficiency point of view – may suggest the absence of EU regulations in a certain area (i.e. authority goes towards national institutions), this study is in accordance with Article 5 of the TEU which states the principles of conferral, subsidiarity and proportionality. In addition, based on Williamson's 'critical dimensions', efficient mechanisms for governance are: the absence of integration (i.e. national authorization), treaties alongside with third party arbitrator (e.g. ECJ), confederation, and federation.

	Non-Specific	Mixed Specificity	Idiosyncratic
Low Frequency	Market (No-Integration)	Trilateral (Treaties)	Trilateral/Unified (Treaties/Federation)
High Frequency		Bilateral (Confederation)	Unified (Federation)