

# **Conditional regulatory independence: the determinants of the EU Commission decisions on state aid (1999-2009)**

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To what extent does European Commission regulate state aid policy independently of member states' preferences? Formally, the European Commission regulates state aid independently of national pressures. In real facts, since supranational rules restrict the opportunities to support selective undertakings, member states have to gain from constraining the Commission's authority in order to play a leading role in the domestic economy.

The present analysis investigates to what extent and under which circumstances member states are able to affect the Commission decisions on state aid. According to the European rules on state aid policy, I present a straightforward game that highlights how member states strategically interact with the Commission. Hence, I derive six testable hypotheses on the impact of member states through threats of non-compliance and the most influent commissioners on state aid policy, such as the commissioners on competition and regional policy.

Employing data on 3249 decisions on state aid that the Commission has taken from the 22<sup>nd</sup> of March 1999, when the current regulation on state aid came in force, until 31/12/2009, I provide corroborating evidence for the member states' influence on the decision-making. On the whole, member states seem to take advantages both from the weaknesses of state aid control and the nomination of the commissioner on regional policy. However, member states' influence varies among policy objectives: the Commission is affected especially when it evaluates measures concerning regional development. On the contrary, when the decision-making concerns horizontal measures, the Commission is likely to be affected only by the threats of non-compliance.

In addition to the mechanisms executed by member states, supranational decisions may be affected also by other factors, such as the Commission's policy preferences, the procedural constraints provided for by formal rules, the degree of selectivity of the aid, the level of workload and the changes in the economic cycle.