

**EPIC RESEARCH PROPOSAL**  
**Ideas and Interests in the Construction of EMU**  
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**CONTEXT**

*The empirical puzzle.*

Although the process of monetary integration has been analysed from various angles -the effects of globalisation and increased international capital mobility, spillovers of the 1992 program and high economic interdependence, geopolitical factors and the intergovernmental bargaining process, the role of domestic politics, and the importance of EU institutions- yet the question of the ideational set-up of EMU has not been adequately addressed. Considering though, that EMU, as laid out in the Treaty of EU, institutionalises a specific set of economic ideas that embodies the prevalence of a new economic orthodoxy to neglect the role of ideas in its formation is to miss an important parameter of the political economy world. Hence, the empirical puzzle that drives this project is why is it that the 'Maastricht EMU', contrary to various proposals for European and Monetary Union from early history of European monetary integration, gives priority to 'sound' money and finances over other macro-economic objectives.

*The theoretical puzzle.*

But as Ikenberry argues in his analysis of the post-war political economy, to ask this sort of questions is really to ask why interests were defined the way they were. Neorealist and neoliberal accounts currently dominating the field make parsimonious assumptions about states' interests which are defined either in terms of structural calculus or domestic politics considerations. Yet, both accounts actually leave preferences unproblematic by ignoring the role of ideas in defining conceptions of interests and 'black box' the processes of interest formation. In this respect, as Sikkink has noted, it is indeed a paradox 'that scholars, whose entire existence is centred on the production and understanding of ideas, should grant ideas so little significance for explaining political life'.

**THEORY/MODEL.**

The source of the above paradox lies in the way contemporary political science and political economy accounts have conceptualised what I will call the analytical triptych of the three 'Is', i.e. ideas, interests and institutions. The purpose of this project is to reformulate these concepts and resolve the above puzzles and paradoxes in a theoretically productive way.

So, the analytical starting-point is clearly one of joining the current wave of ideational scholarship in its dissatisfaction with rationalist theorising that 'black-boxes' the processes of interests formation. However, the project also argues that existing ideational approaches fail to take ideas seriously by treating them as auxiliary variables that solve inherent problems in already existing research programs. Moreover, the recent ideational turn has done a great disservice in the development of a genuine ideational research program by creating a new ideational orthodoxy that reproduces either the rationalist bias of separating ideas and interests, by treating as competing variables whose relative explanatory weight is to be methodologically checked, or the institutionalist bias that assigns ontological primacy to institutions. This disservice is due to the causal conceptualisation of the relationship between the material and the ideational.

By treating ideas causally prior to interests, ideas become a random product of uncertainty and their social context is omitted. Using ideas as causally posterior to interests they become a variable that explains residual variance and is only employed to deal with the problem of multiple Pareto-improving equilibria, while when inserting in the causal chain institutions as the mediating variable between ideas and policy outcomes, ideas are reduced to an auxiliary variable of no real significance.

This project aims at moving beyond the double reductionism implied by the ideas-versus interest-based explanations, in-built in the causal approach or the 'homology' of ideas and institutions, in-built in the so-called ideational institutionalisms. It subscribes to a constitutive approach in an attempt to cast out alternatives to the inherent problems of the causal conceptualisation of the role of ideas, while at the same time avoiding claims to have developed a solution.

### **RESEARCH DESIGN AND OBJECTIVES.**

However, if the promise of the constitutive approach is to be fulfilled, it cannot remain unapologetically a mere antagonist of rationalist theorising and of the rationalist-inspired causal approach. It has to address issues like the definition of ideational variables, the actors involved and their roles in ideational analysis and the diffusion mechanisms. We suggest to organise the analysis around three questions:

#### *1) Which are the EMU Ideas?*

One of the reasons for which the role of ideas has been poorly conceptualised rests on the reluctance to clearly state what is meant by ideas -in effect their use has varied widely from notions of culture, shared belief systems, and world views to specific strategies of action and policy programs. For the purposes of this project ideas are defined as knowledge structures that serve to structure and inform the way European policy-makers think about i) cause-effects relationships in the macroeconomic organisational field, where the notion of an exploitable Phillips curve was abandoned and the fight against inflation was prioritised; ii) globalisation as the EU's external economic environment, where the deployment of ideas about it has helped to construct a particular notion of 'Europe'/the EU as a valid economic and plausible regulatory space; and iii) the international political economy, where long-held beliefs about the 'soundness' of stable exchange rates become an indispensable element of the ideational content of EMU.

#### *2) Who transfers the EMU ideas?*

Another reason for which the role of ideas has been poorly conceptualised rests on the exogenisation of their formation due to the analytical omission of their social context. Ideas do not find their way from the blackboard to the policy arena because they are 'good' ideas and they are certainly not free-floating. Rather, they gain their prevalence because they are advocated by particular actors. So, the second objective is to analyse the role of the main actors involved. The ideational set-up of EMU was the product of at least three categories of actors or ideational entrepreneurs: first, supra-national institutions, with the Commission as pivot; second, national policy-makers, with the Franco-German axis in a prominent position; and third, monetary policy experts, with the Delors Committee playing the role of a *sui generis* epistemic community.

### *3) How were the EMU ideas transferred?*

Finally, the third problem with current ideational analyses is the tendency to presuppose the ideational properties of ideas. In effect, the selection mechanism remains unanalysed or is left to the intrinsic magnetism that ideas allegedly possess. In a response to this deficiency the last objective of the project is to analyse the selection mechanisms at work. There were actually three ideational transfer mechanisms at work: first, there was a process of emulation or ideational modeling. Second, there was a process of institutional socialisation and policy learning, and thirdly a process of elite networking.

### **METHODOLOGY.**

Methodological difficulties loom large over ideational analysis and, despite attempts at utilising either deductive or inductive counterfactual methods, the issue is that ideational analysis remains underdeveloped methodologically. The concern with methodology also raises the relevant, but no less significant, question of the juxtaposition of two approaches to IR theorising – ‘explanatory’ (realist ontology with positivist epistemology) and ‘understanding’ (idealist ontology with a hermeneutic epistemology)- to which Hollis and Smith familiarised us. According to them any effort to use ontologies other than individualistic and interest-maximising ones (like this project does) precludes the use of methods associated with scientific inquiry. This project rejects this dichotomy and insists that we all remain part of social science.

### **ACADEMIC INNOVATIONS**

The project will look beneath the traditional notions of intergovernmentalism and (neo)functionalism and go beyond the ‘self-interested behaviour’ assumptions that take preference formation as exogenous rather than endogenous. In that sense, the contribution of this project lies within the context of a call for an openness of the EU studies and an attempt to take the discipline out of its self-constructed theoretical ghetto. By engaging in a dialogue between the ‘EU’, the ‘role of ideas’ and ‘political economy’ literatures the project aims at enhancing our understanding of the way that the ideational consensus around ‘sound’ money policies was reached and then transferred to the whole continent till firmly institutionalised in the Maastricht Treaty.

### **POLICY IMPLICATIONS.**

The project has important implications about the way we think about the politics of the Euro-zone and the prospects for smooth and successful adaptation of monetary union to economic and political shocks. If the Euro-zone does reflect a regime characterised by like-minded decision-makers trying to work out technically superior policies within a commonly accepted intellectual and institutional framework, then the key factor shaping the strength and stability of the Euro-zone will be endogenous processes of benchmarking, policy transfer and lesson-drawing and not policy solutions derived from simplified theories, like optimum currency area theory, that neglect the dynamics of politics.