

Ideas and Interests in the Construction of EMU
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CONTEXT

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 (but see McNamara, 1998; Marcussen, 2000; Parsons, 2001; Verdun, 1999). Why does the 'Maastricht EMU' institutionalise a specific, and not another, set of ideas about the economy and 'Europe'?

HYPOTHESIS.

The broad hypothesis of this paper is that the ideational content of EMU is more than the product of policy learning and institutionalised interaction between three mutually constituted actors –national policy-makers, the European Commission and monetary experts- as the constructivist insight about idea diffusion would have it. It amalgamates both non-territorial ideas about what the economic world is like, how is to be observed, which goals are attainable through policy, and what instruments are to be used to attain them, and territorial ideas about 'Europe'/the EU as a valid economic and plausible regulatory space.

But, at the same time, the ideational dimension of EMU is more than a mere amalgamation of the two. These two different sets function at different levels, create structural properties of different qualities and develop at different historical settings. The territorial ideas about 'Europe' as the appropriate arena for the management of

the region's political economy and for the construction of a public sphere create a first 'web of intersubjective meanings' (Neufeld, 1995) that defines the boundaries of the *politically acceptable*, while the non-territorial ideas about cause-effect relationships in the macro-economy create a second 'web of intersubjective meanings' that defines the *technically feasible*¹. The point that I am trying to make is not just that the ideational dimension of EMU is the outcome of the interaction, a mere amalgamation, between these two webs of intersubjective meanings. By creating the realm of the politically acceptable, the first web of intersubjective meanings limits the possibilities of action in Europe and, in effect, 'selects' the non-territorial ideas that will find their way to policy-making. So, the intellectual ascendancy of German ideas about EMU is not just a product of Germany's material capabilities, neither just a product of social learning between the actors involved. German ideas became dominant because they were 'fitting' discursively with an underlying ideational structure that defined the politically acceptable.

THEORY.

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 (Finnemore, 1996). Yet, after a period of neglect, if not hostility, toward ideational explanations we are now faced with a burgeoning literature on the role of ideas. Indeed, as Jacobsen (1995:

¹ I borrow the distinction of the EMU policy process between political acceptability and technical feasibility from Radaelli (1999: 79-80). Purely schematic though this distinction is, I nevertheless consider it analytically useful. However, I do not employ it in order to limit the ideational dimension of EMU to the technically feasible, as he does. They are both ideationally informed, albeit from different sets of ideas.

283) notes, it now seems obligatory for every work in political economy to consider the ‘power of ideas’ hypothesis –even if only then to dismiss it.

This project joins the current wave of ideational scholarship in examining the role of ideas in the construction of EMU. However, although the analytical starting-point is one of sharing with current ideational approaches a dissatisfaction with rationalist theorising that ‘black-boxes’ the processes of interest formation, the rationale of this project emerges from another dissatisfaction; a dissatisfaction with the way these approaches have conceptualised ideas. It is argued that the current wave of ideational scholarship has not only failed to take ideas seriously but that it has also created a new ideational orthodoxy that reproduces either the rationalist bias of separating ideas and interests, by treating them as competing variables whose relative explanatory weight is to be methodologically checked, or the institutionalist bias that assigns ontological primacy to institutions (Blyth, 1997). This disservice is due to the causal conceptualisation of the relationship between the material and the ideational (Laffey and Weldes, 1997).

In this respect, it is imperative to clarify that there are two ways to conceptualise the relationship between the material and the ideational (Laffey and Weldes, 1997; Ruggie, 1998; Wendt, 1999). You can either frame this relationship causally, treating ideas as a random product of uncertainty (in which case ideas are causally prior to interests only under circumstances of complexity and uncertainty), or as a variable that explains residual variance (in which case ideas are causally posterior to interests and are only employed to deal with the problem of multiple Pareto-improving equilibria), or by inserting in the causal chain institutions as a mediating variable (in which case ideas are reduced to an auxiliary variable and institutions are assigned ontological primacy), or you can frame it in constitutive terms in which case

preferences and interests cease to be the sole explanatory factor and become part of what is to be explained.²

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 new 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 (for a ‘solution’ can hardly be delivered to a discussion that has misleadingly been phrased in terms of *problem* and *solution*)³.

RESEARCH OBJECTIVES.

No doubt, once you subscribe to the constitutive approach you lose the parsimony of the rationalist-inspired conceptualisation of ideas and of the causal mechanisms identified, but you gain in terms of a deeper understanding of the dialectics at work. Having said that, is not to argue that the constitutive approach can remain unapologetically a mere antagonist of the causal reading of ideas at the ontological level. Indeed, as Hay (1999: 8) notes, while it is important ‘not to imply (the potential for) an empirical solution to ontological dilemmas, it is equally important that we resist the temptation to assume that our social ontologies provide ready-made solutions to empirical questions.’ Hence, if the promise of the constitutive approach is to be fulfilled, it has to address and systematically examine issues like how to clearly define ideational variables, the need to examine the socio-political and economic context that lends power to a specific set of ideas instead of another during particular historical settings, and how to analyse the role of ideational entrepreneurs and transfer

² Cox (1981) argues that this is one of the purposes of critical theory.

³ This is a point raised by Hay (1999) about the structure and agency debate, which nevertheless applies to the issue of the relationship between the material and the ideational.

mechanisms at work. This project locates itself within these wider questions that form its research objectives.

More specifically, it addresses the three following questions: Which are the EMU ideas? Who transfers them? And, how are they transferred?

Which are the EMU ideas ?

As outlined earlier the ideational content of EMU amalgamates both territorial and non-territorial ideas. This multi-dimensional conceptualisation has the methodological advantage of not privileging *a priori* particular actors or sets of ideas. For the purposes of this project, the EMU ideas are defined as knowledge structures that serve to structure and inform the way European policy-makers think about⁴ 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) 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; and iii) 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 (Rosamond, 1999).

Who transfers the EMU ideas?

Of course, ideas do not find their way from the blackboard to the policy arena just because they are ‘good’ ideas and they are certainly not free-floating (Risse-Kappen, 1994). Rather, they gain their prevalence because they are advocated by particular

⁴ The definition employed here draws from Marcussen (2000), who however limits the ideational content of EMU to causal economic ideas. Of course, Marcussen (2000: 11-13) does refer to deeper ‘value orientations’ that ‘prescribe and constrain the actions of elite policy-makers at a general level’, but only in passing.

actors who have a favourable position in the policy-making setting and diffused by specific mechanisms. There can be little doubt that 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 (Radaelli, 2000).

How were the EMU ideas transferred?

There were two ideational transfer mechanisms at work (McNamara, 1998; Marcussen, 2000): first, there was a process of emulation or ideational modelling and, second, a process of social learning⁵. Germany's success with a pragmatic version of monetarist policy that emphasised a strong and stable currency and the fact that it was seen as the nation that had adjusted more successfully after the breakdown of the Bretton-Woods system provided policy-makers with a powerful example to emulate. However, this process involves mainly a pragmatic adaptation of policy where there is a change in means and not necessarily ends. In effect, for a change in both means and ends the process of policy emulation needs to be enhanced by a complementary process of policy learning.⁶ In this respect, taking into account the importance of institutionalised interactions and the impact on preference formation of the EMS regime 'viewed as a polity' is necessary (Cameron, 1993, cited in Caporaso and Keeler, 1995: 45-6).

⁵ Radaelli (1999b: 43-6), drawing on the literature on institutional isomorphism, refers to three mechanisms of policy diffusion in the EU policy process: coercion, mimetism and normative pressures. This is not the place to review the literature on lesson-drawing and policy diffusion; for an up to date discussion see Stone (2001).

⁶ For a distinction between adaptation and learning, see Haas (1991). Nye (1987) has also captured the difference by distinguishing between 'simple' and 'complex' learning.

But, as Checkel (1999: 549) argues, '[i]n an abstract sense, it readily can be appreciated that social learning takes place at certain times, but how can one conceptualise and empirically explore whether and when it occurs?'. In effect, conditions under which policy/social learning can take place should be empirically demonstrated (ibid.).

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 (Campbell, 2000). The concern with methodology also raises the relevant, but no less significant, question of the juxtaposition of two approaches to IR theorising –‘explanatory’ and ‘understanding’- to which Hollis and Smith (1990) familiarised us. The dichotomy has actually been widely used to imply that any effort to use ontologies other than individualistic and interest-maximising ones precludes the use of methods associated with scientific inquiry. This project rejects this dichotomy and insists that we all remain part of social science.

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