

**Towards new working methods and a new institutional architecture?**  
**The Eurogroup and the economic pillar of Economic and Monetary Union**

One of the major challenges with regard to the smooth functioning of EMU is how the euro-zone countries address the demand for closer coordination and greater political unity within an intergovernmental framework. Two problems challenge the appropriateness of the existing intergovernmental working method applied within the Economic and Financial Affairs Council (ECOFIN): 1) The euro-zone is characterised by diverse traditions of economic policy-making and different economic philosophies. This leads to opposing preferences with regard to policy solutions and to the incoherent assessment of economic situations. 2) The unique nature of the euro-zone confronts policy-makers with unprecedented challenges and questions the effectiveness of established strategies, which are known from the respective national contexts. A key for the efficient intergovernmental coordination of economic policies in the euro-zone is the development of an intellectual consensus among the top policy-makers. The ministers of the euro-zone countries meet additionally to the regular ECOFIN meetings within the framework of the informal Eurogroup. Reducing the number of national representatives to “one minister plus one” per state the group’s institutional design is intended “to stimulate an open and frank debate”<sup>1</sup> and encourage learning processes. The research focuses on the question whether and how policy-makers use the informal working method of the Eurogroup for arguing, deliberation and learning and are able to lay the foundations for a more consensual approach to coordination within an intergovernmental environment.

Because the Eurogroup is a relatively young and secretive institution its working method and impact on the policy process have been rarely addressed in the literature so far. Theoretically, both of the two prevailing alternative perspectives with regard to the analysis of intergovernmental policy coordination do not account for the peculiar working method of the Eurogroup and its impact on the coordination process. With regard to the discussions and negotiation

---

<sup>1</sup> Presidency Conclusions, Luxembourg European Council, December 1997, Press Release: Luxembourg (12-12-1997), Nr: SN400/97.

processes within the group it would be misleading to focus exclusively either on a “logic of consequentialism” or a “logic of appropriateness”<sup>2</sup>. The first logic – addressed by rational choice models and intergovernmental bargain theory – sees the consideration of own preferences in terms of negotiation power and possible gains and losses from the coordination process as the organising principle. The second logic stresses the rule-guided behaviour of actors – in the case of the Eurogroup the common commitment to regard economic policy-making in the euro-zone as a matter of common concern and to comply with the established procedures and guidelines.<sup>3</sup> Both perspectives account for important elements of the Eurogroup’s nature but fail to point to the creative element of the group’s working method and its influence on the coordination process.

Therefore, the thesis builds additionally on constructivist approaches on the role of arguing and deliberation in international relations theory and the analysis of European integration.<sup>4</sup> These approaches focus on the alteration of preferences, identities and perceptions through processes of arguing and deliberation. In these processes policy-makers change their positions because they are convinced of the better argument or a technical solution and not because of their inability to get their case through or their commitment to comply with the rules of the game. Applying this model to the intergovernmental environment of the Eurogroup allows insights in the ability of intergovernmental frameworks within the EU to develop solutions for unprecedented problems, to generate shared ideas, norms and guidelines, which allow the integration of diverse policy traditions into a coherent framework for coordination. This dimension of intergovernmental coordination of economic policies in the euro-zone is crucial for the analysis of EMU and the wider context of the EU. While pursuing further integration of policy areas and experiencing growing interdependencies Member States are more and more unwilling to create new supranational structures. This development puts

---

<sup>2</sup> Cf. March, J./ Olsen, J.: *The Institutional Dynamics of International Political Orders*, in: *International Organization*, Vol. 52, No. 4/1998.

<sup>3</sup> Cf. e.g. Dyson’s argument on the “Kantian culture” of the euro-zone, in: Dyson, K.: *The Politics of the Euro-Zone – Stability or Breakdown?*, Oxford 2000.

<sup>4</sup> Cf. Joerges, C./ Neyer, J.: *From intergovernmental bargaining to deliberative political processes: The constitutionalisation of Comitology*, in: *European Law Journal*, Vol. 3, No. 3/1997. Risse, Thomas: “Let’s Argue!”: *Communicative Action in World Politics*, in: *International Organization*, Vol. 54, No. 1/2000.

pressure on intergovernmental arrangements to take responsibilities, which were associated with supranational institutions in the past, such as the initiation and development of policies, the exercise of peer pressure and the demonstration of political unity. The thesis will contribute to the knowledge about alternative intergovernmental working methods and their ability to complement the existing council structure.

The case study will involve the comparison of the three euro-zone countries France, Germany and Ireland with regard to their attitudes towards the Eurogroup and their behaviour within the discussion and negotiation process. The three countries are most similar cases with regard to their dependence on closer coordination and their readiness to use and develop the framework of the Eurogroup. However, their preferences and attitudes differ with regard to crucial elements of the coordination process and the institutional environment of EMU. During the negotiations leading to the Maastricht Treaty and in the years after, France promoted a strong economic pillar of EMU and introduced the idea of a “gouvernement économique” to EMU. Germany was heavily opposed to any strengthening of the economic pillar and interpreted the French initiatives as an attempt to undermine the independence of the ECB. Ireland emphasised the social dimension of economic policy coordination within EMU and demanded to address regional disparities. Currently, the three countries experience diverging economic situations and are consequently not affected in the same way by the monetary policy of the ECB. This situation causes different expectations with regard to the coordination process within the Eurogroup.

Since the Eurogroup is a relatively young institution – it held its first meeting in June 1998 – and the available information is not very dense it is possible to follow the events from the beginning of the group’s operation until today. Analytically, the focus on the entire history of the Eurogroup rather than on recent events would contribute to the aim of the thesis to establish evidence on the group’s ability to generate an intellectual consensus among the top policy-makers of the euro-zone. The group developed from a contested institution into a widely accepted forum for policy coordination within the euro-zone.

The Eurogroup does not publish protocols or conclusions of the meetings and is a rather secretive institution. Therefore, the research will focus on interviews with government officials as well as on contacts with DG II of the Commission, the ECB and the Economic and Financial Committee.

